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Chapter 4: Page 100, footnote 43 - For "Tables 1 and 3" read "Tables 45 and 47".

Chapter 6: Page 189, 1st column, line 14 - For "1954-1955" read "1950-1955".

1st column, line 26 - For "output of tractors, notably, being about twice as great as planned." read "output of tractors in particular being substantially above that planned."

Page 181, 2nd column, line 4 - For "Table 87" read "Table 86".

Chapter 8: Page 237, Table 113 - Title should read "Index numbers of planned and actual changes of national income and gross production during the long-term plans".

Appendix B: Page B-5, Table III, Index numbers of import and export unit values for major commodity groups, column 1955, 3rd qtr., Raw materials, United States - For " .." read "112"; and Manufactures, United States - For " .." read "121".

Page B-34, Table XXX, 1955 Plan, Agricultural engineering, Tractors - For "81*" read "131".

Page B-37, Table XXXII, Industrial production in Czechoslovakia, 1955 Actual, Mining, Iron ore - For "111.0" read "114.0"; and 1956 Plan, Chemical Industry, Rayon - For "110" read " ..".

Page B-39, Table XXXIV, Industrial production in Hungary, 1956 Plan, Engineering, Bicycles - For "2.82" read "282"; Light industries, Woollen fabrics and Leather footwear - For "27.6" and "13.4" read "27.6*" and "13.4*" respectively.

UNITED NATIONS

DEPARTMENT OF ECONOMIC AND SOCIAL AFFAIRS

ECONOMIC SURVEY OF EUROPE IN 1955

including Studies of

Investment Problems and Policies of European Countries

and

Labour Market Problems in Western Europe

Prepared by the

RESEARCH AND PLANNING DIVISION
ECONOMIC COMMISSION FOR EUROPE

GENEVA, 1956

E/ECE/235
February 1956

United Nations Publication

Sales Number : 1956. II.E. 2.

Price : $(U.S.) 2.50 ; 18/– stg. ; Swiss francs 10.50
(or equivalent in other currencies)

PREFATORY NOTE

The present SURVEY is the ninth in a series of reports prepared each year by the secretariat of the Economic Commission for Europe to serve the needs of the Commission and to help in the task of reporting on world economic conditions which the Economic and Social Council of the United Nations has entrusted to the Department of Economic and Social affairs.

A major object of these SURVEYS, and of the quarterly *Economic Bulletins* which supplement them, is to analyse recent developments in the European economy and tendencies elsewhere which may significantly affect the economic framework within which the countries of Europe have to determine their policies. This analysis, in the present report, is given in Chapters 1 and 6, dealing respectively with western Europe and with eastern Europe and the Soviet Union.

It has also become the practice in each SURVEY to focus attention on some longer-term issue which is yet immediately relevant to governments' current economic policies. The present time appears particularly appropriate for a consideration of the investment problems of both western and eastern European countries.

In recent years a growing concern has become apparent in western European countries with the problem of obtaining a level and pattern of investment which will provide for a satisfactory long-term rate of expansion of the economy. As, during 1955, the second consecutive year of rapid economic expansion in western Europe revived fears of internal inflation or balance-of-payments difficulties, the measures taken in some countries to restrain the expansion have tended to bear particularly heavily on investment, and have revealed the possibility of conflict between immediate objectives and longer-term aims.

In the Soviet Union and eastern Europe the desirability of a high rate of investment is a basic premise of economic planning, but in these countries also there has been a great deal of discussion as to the relative rates of growth to be sought in the investment and the consumption sectors. In general, the emphasis on investment is to be increased in the new five-year plans starting in 1956 as compared with actual experience in recent years.

The present SURVEY therefore devotes special attention to investment problems and policies, Chapters 2 to 4 being concerned with western Europe and Chapters 7 and 8 with eastern Europe and the Soviet Union. In addition, Appendix A contains a brief discussion of these problems as they appear in Yugoslavia, where an attempt is being made to work out solutions in ways different in many respects from those followed in either eastern or western Europe.

A closely related topic—of a long-term nature, yet also of immediate relevance to present-day policies—is discussed in Chapter 5, which examines the labour market problems of western Europe against the background of the high levels of employment now existing in the majority of the countries of this area.

In previous years the secretariat has been handicapped in the performance of its tasks by the lack of regularly published, well-defined statistical series for the countries of eastern Europe. Although to a great extent this is still the case—in particular, up-to-date statistics of the international trade of these countries are still lacking—the past year has marked a distinct improvement. More statistics on industrial production, agricultural yields and retail trade have recently been published in Hungary, Poland and eastern Germany. The secretariat has, moreover, received hitherto unpublished statistics of investment in Bulgaria, eastern Germany and Hungary, and it has benefited during the last year from an opportunity to discuss with Soviet officials and economists both the coverage of Soviet statistics and the investment policies of the Soviet Union. These facilities have greatly assisted the secretariat in its work on investment problems.

The SURVEY is published on the responsibility of the secretariat, and the views expressed in it should not be attributed to the Commission or to its member Governments.

Geneva

February 1956

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SYMBOLS EMPLOYED

The following symbols have been used throughout this SURVEY:

. . = not available or not pertinent
— = nil or negligible
▪ = revised figure
* = estimate by the secretariat of the Economic Commission for Europe
⧗ = interruption in the comparability of the series or a change in the unit in which the series is reported.

In referring to combinations of years, the use of an oblique stroke—*e.g.*, 1954/55—signifies a 12-month period (say from 1 July 1954 to 30 June 1955). The use of a hyphen—*e.g.*, 1953-1955—normally signifies an average of the full period of calendar years covered (including the end years indicated).

Unless the contrary is stated, the standard unit of weight used throughout is the metric ton. The definition of " billion " used throughout is one thousand millions. Minor discrepancies in totals and percentages are due to rounding.

In general, information received up to mid-January 1956 has been included in the SURVEY, but in the later chapters, dealing with developments in the Soviet Union and eastern Europe, it has been possible to incorporate information received up to mid-February.

Chapter 1

RECENT ECONOMIC DEVELOPMENTS IN WESTERN EUROPE

1. The continuing expansion

The year 1955 was the second consecutive year of rapid economic expansion in western Europe. The 10 per cent increase in industrial production between 1953 and 1954 was practically repeated between 1954 and 1955, although the speed of the expansion slackened somewhat in the second half of the year. This sustained growth of activity took place without any major changes in the price level in western European countries. The weighted average of western European export prices declined by 2 to 3 per cent from 1953 to 1954 and increased at about the same rate from 1954 to 1955, while the cost-of-living indices in most countries rose by only 1 to 2 per cent a year or even less.

There are several reasons why this exceedingly rapid increase in production could take place without any significant rise in prices. In the first place, the early stages of the western European expansion after the period of slack activity which followed the end of the Korean war coincided with a mild recession in the United States which caused raw material prices to decline.[1] Then, during the later stages of the European upswing, when the recession in the United States had changed into a boom, some significant shifts in the pattern of consumption and production in western Europe helped to preserve the stability of prices, because these shifts favoured the use of industrial raw materials and semi-manufactures with a high elasticity of supply.

It can be seen from Chart 1 that the most sustained and rapid rate of increase in output during the last three years has occurred in the chemical industries, where production is now running at a level more than one-third above that of the beginning of 1953. In other sectors, the rate of increase of production was most pronounced in the consumer-goods industries during 1953, but during 1954 the emphasis shifted to the investment-goods industries, and this tendency has continued even more strongly during 1955. Building activity and production in the metal-using industries increased very rapidly, while the curve of production in the traditional consumer-goods industries rose more slowly—and for textiles actually declined.

In the chemical, steel and metal-using industries considerable investment activity, before as well as during the last three years, raised capacity and productivity sufficiently to permit a large expansion of output—and in some countries a considerable increase in wages—with stable or even declining selling prices. Moreover, the supply of labour to these industries showed more flexibility than would generally have been thought possible in view of the small amount of unemployment in many countries when the upswing started.

The commodities mentioned above, for which supplies could be rapidly expanded as a result of recent investment activity, are used predominantly in the producer-goods industries. But western Europe entered the present upswing with still larger reserves of under-employed capacity in the consumer-goods industries. The structure of production in western Europe adapts itself only very slowly to shifts in demand. Inside Europe such shifts have been mainly from traditional consumer goods to consumer durables, and in production for overseas export markets they have been from consumer goods to investment goods. Capacity in most consumer-goods industries has therefore never been fully utilized in recent years in the western European area as a whole, and even at the end of 1955 there was still considerable reserve capacity in many industries besides textiles.

When the recovery started in 1953, food production in many western European countries was tending to outrun demand. The supply of agricultural products could therefore also be increased rapidly as demand rose; and it was only in the autumn of 1955 that signs of pressure of demand on food supplies were reflected in an upward tendency in the prices of butter and beef.

A noticeable feature of the economic expansion in western Europe during the last three years is that it has been achieved not only without any significant increases in price levels, but also with remarkably little deterioration in western Europe's balance of trade with overseas countries. There are two main explana-

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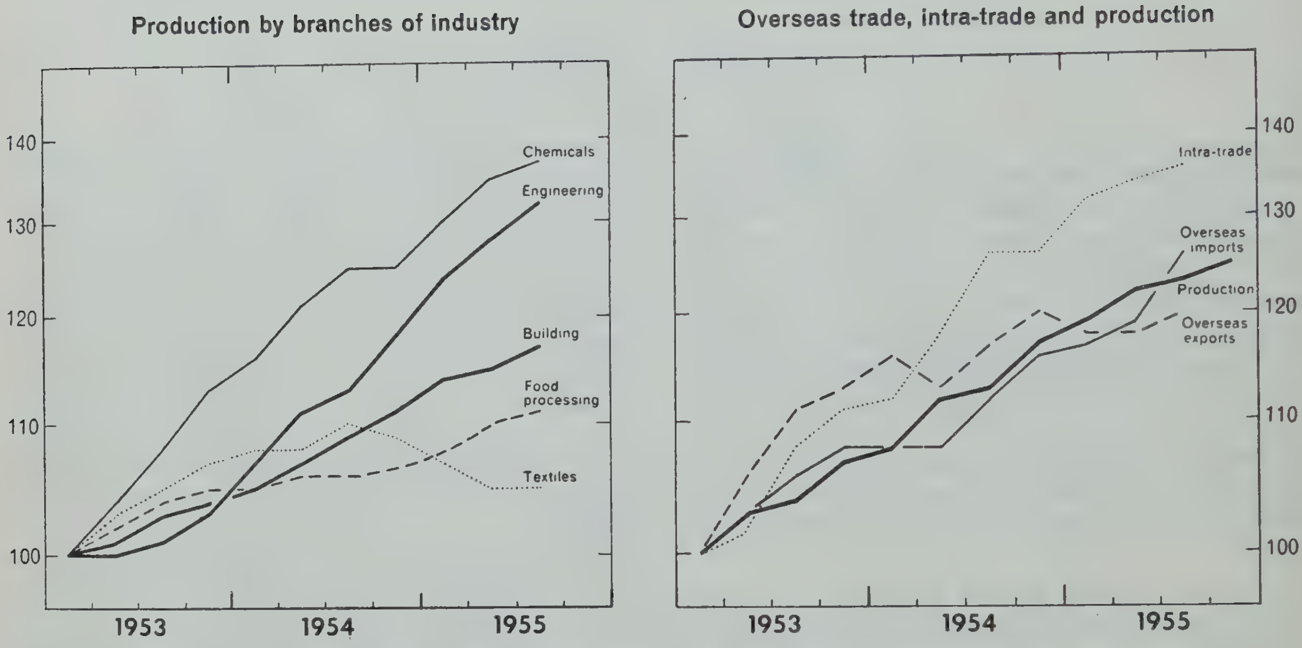
[1] See *Economic Survey of Europe in 1954*, Chapters 1 and 4.

CHART 1

Industrial production and foreign trade of western Europe

Index numbers : first quarter 1953 = 100
Adjusted for seasonal variations
(Semi-logarithmic scale)



Sources : National statistics and OEEC *Statistical Bulletins.* Trade figures for the United Kingdom have been adjusted for dock strikes.

tions : first, there existed, at the start of the period, capacity for an all-round increase in output; and, secondly, the increase in demand was concentrated, after the very early stages, on chemical products, metal products and other investment goods—all produced mainly from European raw materials. It can be seen from Chart 1 that, until fairly recently, the rise of imports from overseas has not been particularly rapid by comparison with the course of industrial production. It was only when the spare European capacity for production of energy and of materials and equipment for the investment sector had been brought into use that imports from overseas began to rise rapidly; and then, because of the nature of the goods and the measures taken to reduce quantitative restrictions on dollar imports, the increase mainly affected purchases from the United States and other dollar countries.

The high degree of liberalization reached in trade among western European countries contributed, of course, both to keeping prices in Europe stable and to reducing the need for imports from overseas. The numerous pockets of surplus capacity existing in western European countries at the beginning of the period were gradually brought into use. The French and Belgian steel and coal surpluses, the Italian and Austrian surplus capacity in the engineering industries and the surplus capacity in French agriculture have all been increasingly employed. The pursuit of relatively liberal trade policies also made it possible for industries and consumers in other western European countries to benefit from the large expansion of industrial capacity in western Germany resulting from investments made in earlier years. The rise of western German exports in 1954 by as much as one-quarter helped, in its turn, to accelerate the growth of investment activity in that country in 1955; it also encouraged a liberal import policy and a continuing rapid rise in imports. In the first nine months of 1955 gross fixed investment in western Germany accounted for some 24 per cent of the gross national product.

Differences in the expansion in individual countries

Within the general pattern of western European development during the last two years, which has been described above, there have been pronounced differences in the experiences of individual countries. First of all, the rate of increase of industrial production

TABLE 1

Changes in the national product, foreign trade, investment and consumption

Percentage increase in volume over corresponding period of previous year

Country	Year	Gross national product	Industrial production (excl. building)	Imports	Exports	Gross fixed investment	Private con-sumption	Current government expenditure
United Kingdom	1954	4	8	2 [a]	6 [a]	5	4	−1
	1955	3	6	12 [a]	4 [a]	11	4	−2
Denmark	1954	2	9	21	8	8	5	3
	1955	..	—	−2	11	..	..	..
Norway	1954	4	6	14	13	6	4	4
	1955	3	4	6	5	4	3	−3
Sweden	1954	5	5	13	9	12	4	4
	1955	3	5	13	7	4	3	3
Finland	1954	8	13	29	16	11	9 [b]	3
	1955	5	8	16	9	11	6 [b]	2
Western Germany	1954	8	12	26	24	12	8	6
	1955	11	16	22	15	16	9	11
Austria	1954	10	14	31	22	31	10	3
	1955	10 [c]	14	44	12	21 [c]	9 [c]	4 [c]
Netherlands	1954	5	11	26	18	13	5	5
	1955	4 [c]	8	14	17	..	7	..
Belgium	1954	2	8	10	9	5	1	—
	1955	3-4 [c]	9	8	12	..	..	..
France	1954	5	8	8	16	9	5	−2
	1955	5	8	10	13	9	6	−3
Italy	1954	4	9	3	8	6	3	3
	1955	7	8	8	13	14	5	..
Yugoslavia	1954	11	14	−16 [d]	27 [d]	15	14	25
	1955	10	18	30 [d]	6 [d]	11	10	3
Greece	1954	2	22	12 [d]	18 [d]	20	2	14
	1955	3	8	18 [d]	9 [d]	..	..	..

Sources : Tables 29 to 42, and national statistics.

NOTE. — Data for 1954 refer to the whole year, whereas data for 1955 refer to as many months as are available (9-12 months).

[a] Derived from official estimate for values of trade as adjusted to eliminate the effects of the 1954 dock strike. No similar adjustment has been made to figures for the foreign trade of the United Kingdom in later tables of this chapter.

[b] Including changes in stocks.

[c] Estimates for the whole year 1955 made earlier in the year by national authorities or by the OEEC.

[d] Current value.

varied considerably between countries. As can be seen from Table 1, it was highest in western Germany, Austria and Yugoslavia, and lowest in the United Kingdom and the Scandinavian countries, apart from Finland.

Secondly, the rate of growth of investment varied from one country to another. In 1954 investment rose more rapidly than consumption in all western European countries, though the difference was only slight in the United Kingdom. In 1955 the rate of increase in investment in the United Kingdom and Italy speeded up considerably and, as already mentioned, this was the case also in western Germany. In many other countries it seems that, although investment continued to rise, the rate of increase slowed down. Physical bottlenecks in materials, capacity and labour in the investment sector no doubt contributed to this in some cases; but in others the main explanation is to be found in restrictive credit policies and other measures employed to control the upswing. Particularly in the latter half of the year these measures acted as a check on the rate of expansion in a number of countries. In the Scandinavian countries, where particularly severe measures were taken to limit investment,[2] there may not have been much difference in the rates at which investment and consumption rose from 1954 to 1955. In other western European countries, however, investment seems to have continued to increase considerably more rapidly than consumption.[3]

Finally, the development of foreign trade in relation to production also showed differences between countries. In the majority of western European countries the pressure of demand on the internal economy increased in 1955, and imports rose much faster than industrial production—in many cases two to three times as fast. However, exports also increased more rapidly than production in most countries. It was only in the United Kingdom, Austria, Greece and Yugoslavia that the rate of increase of imports was more than double that of exports.

By contrast, the relations between the changes in foreign trade and those in industrial production in France, Belgium and Italy seem to indicate that there was less strain on their economies than on those of most other western European countries. In these three countries the rise in imports from 1954 to 1955 no more than kept pace with the growth of industrial production, while exports rose considerably more rapidly. The relation between the increase of imports and of exports was still more favourable in Denmark, but this was a result of a deliberately deflationary policy which virtually stopped the rise of industrial production.

The drain on foreign exchange reserves in the United Kingdom in the summer of 1955 has conveyed the impression that the relation of foreign trade to industrial production must have developed more unfavourably in the United Kingdom during the upswing than elsewhere in western Europe. Table 1 shows clearly that for imports this is not the case. In 1954 the increase in imports was exceptionally low, and for the last two years as a whole the United Kingdom shows a more favourable relationship of imports to production than most other western European countries. The fact that payments difficulties nevertheless occurred was partly due to the relatively small rise in exports, which lagged behind the growth of production;[4] partly it was due to a deterioration of the trade position of the countries of the overseas sterling area, and speculative capital movements also played a part.

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[2] In Denmark, however, public policy now seems to be directed towards avoiding further reductions in investment, and the most recent measures have been aimed primarily at restricting consumption. See Chapter 3, Sections 1 and 6.

[3] For the countries for which no estimates of total investment and consumption in 1955 are available, the partial data in Tables 2, 8 and 9 give some information.

[4] It should be noted, however, that it is only when the corrections for the effects of the 1954 dock strike recently made by the Board of Trade are taken into account that the lagging behind of exports in relation to industrial production becomes apparent. Without this correction the increase in the volume of exports in 1955 would be about 8 per cent: this is higher than the rate of increase of production and also higher than the rate of increase of exports in 1954 (which would in that case be 4 per cent only). The interpretation of the facts depends therefore to a considerable extent on the estimate of how large a share of exports in January-February 1955 would have been shipped in 1954 if there had been no dock strike in October-November of that year.

2. The investment boom of 1955

The continuation in 1955 of the marked expansion of investment which had started in 1954 raised investment to extraordinarily high levels in some countries, notably western Germany and Austria. In others, as for instance the United Kingdom and Belgium, investment activity had been so low in the previous years that even in 1955 it remained a fairly moderate share of the national product.[5] It was, however, not only the level of investment but also the pattern which differed widely as between countries. In the majority of countries, it seems that the rates of increase of industrial building and of investment in equipment for industry and transport have been much more rapid than those of housing or other building activity. Statistics, both for industrial orders and for building starts, indicate that a large amount of industrial investment must have been decided upon and started all over western Europe between the autumn of 1954 and the summer of 1955. After that time, however, the credit restrictions began to limit investment activity in some countries.

The scarcity of factual information makes it impossible at present to evaluate the role which public investment has played during 1954 and 1955; but public assistance to housing has been reduced nearly everywhere, and it is evident from the statistics in Table 2 that, in most countries, a decline in the

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[5] Changes in investment in western European countries are discussed further in Chapter 2, Section 2.

Building and equipment : Percentage increase over corresponding period of previous year

Stocks : Direction of arrow indicates direction of change since the corresponding date of the previous year

	United Kingdom		Denmark		Norway		Sweden		Western Germany		Netherlands		Belgium		France		Italy	
	1954	1955	1954	1955	1954	1955	1954	1955	1954	1955	1954	1955	1954	1955	1954	1955	1954	1955
Building																		
Investment in building and construction	4[a]	—[a]	7	..	4	3	11	3-4	9	11	—	..	9	..	11	11	..	..
Dwellings:																		
Starts	−5	−8	1	−32	..	..	−9	−9	5[b]	2[b]	−21	28	9[b]	−9[b]	50[b]	−2[b]	17[b]	7[b]
Completions	9	−9	7	4	1	−8	11	−4	9	—	15	−13	14	−5	45	37	19	21
Industrial building:																		
Starts	53	40	−3	2	..	..	41[b]	−27[b]	23[b d]	40[b d]	72	51	−7[b]	6[b]	16[b]	2[b c]	..	..
Completions	22	−21	10	59	47	−31	88	−46	13	17	14	79	2	3	..	..	..	..
Other building:																		
Starts	..	..	−2	−30	..	..	13[b]	−35[b]			17	10			12[b]	−7[b c]	−19[e]	−2[e]
Completions	..	..	4	−4	21	20	2	1			−7	4			..	..	..	..
Equipment																		
Investment in equipment	5	15-18*	8	..	7	7	13	5-6	15	22	25	..	1	..	6	6	..	..
Home supply of metal products:																		
Including passenger cars	5	17	17	4	20	8	—	9	18	30	30	25	14	14	3	7	3	10
Excluding passenger cars	4	13	13	9	18	8	..	..	18	28	29[f]	24[f]	15[f]	16[f]	1	5	—	12
Retail sales of electric appliances[g]	14	17	8	2	..	..	5	2	9	14	23	13	14	19	18	15	..	..
Stocks																		
Total stocks	..	..	↓	↑	↓	↑	..	..	↓	↑	..	..	..	..	↓	↑	..	..
Textile raw materials	↑	↓	↓	↑	↑	↑	..	..	↑	↑	↑	↑	..	..	—	↑	↓	↓
Textile finished goods	↓	↑	↓	↑	..	..	..	..	↑	↓	..	↓	↑	↑	↑	↑	↑	↑
Steel	↑	↓	↑	↑	↑	↑	..	↑	↑	↑	..	..	..	..	↓	↑	↑	↑
Copper	↑	↑	↓	↑	↑	↑	..	..	..	..	..	..	..	..	..	..	..	..
Cement	↓	↓	..	..	↑	↑	..	..	..	..	↑	↓	..	..	↓	↓	..	..
Bricks	↑	↑	..	..	↓	↑	..	..	..	..	↓	↓	..	..	..	..	..	..
Timber	↓	↑	↓	↑	..	..	..	..	↓	↑	↑	↑	↑	↓	↓	↑	..	..
Wood pulp	↑	↑	↑	↑	..	..	..	..	↑	↑	..	..	..	..	↑	↑	..	..
Rubber	↑	↑	↑	↑	↑	↓	..	..	..	..	..	..	..	..	↑	↑	..	..

Sources : See Appendix C.

NOTE. — For 1954 the data for building and equipment cover the whole year; for 1955 the data cover as many months as are available (normally 9-12 months). Stock data refer to the latest date for which figures for 1955 are available and to the corresponding date in the two previous years. However, in the case of western Germany the 1954 comparisons refer to end-year figures, and the 1955 comparisons to mid-year figures.

[a] Total output of building and construction; the increase in investment in building and construction according to the national accounts was 5 per cent in 1954. [b] Authorizations. [c] January-March only.

[d] Excluding public building, for which the figures are 24 in 1954 and —3 in 1955. [e] Total public works. [f] It has not been possible to exclude the assembly of cars from production data.

[g] Based on values of sales.

TABLE 3

Number of passenger cars and new registrations

Country	Number of cars per thousand inhabitants in 1954	New registrations in 1955 Thousands [a]	New registrations as percentage of stocks at the end of the previous year	
			1954	1955
Sweden	71	125	29	24
United Kingdom	62	533 [b]	15	17
France	62	449 [b]	17	17
Switzerland	48	60	20	25
Denmark	44	29 [b]	24	15
Norway	32	17 [b]	19	15
Western Germany	28	368	25	26
Finland	17	15	19	21
Italy	16	160 [b]	22	21
Austria	13	45	28	49

Sources : Annual Bulletin of Transport Statistics for Europe, Economic Commission for Europe, *Monthly Bulletin of Statistics*, United Nations, and national statistics.

[a] Annual figures estimated on the basis of the available monthly data (January to October or November).

[b] Total production plus imports minus exports.

building of dwellings in 1955 helped to make room for the increase in other kinds of building activity.[6] Only in two countries, France and Italy, did investment activity in 1955 take a course radically different from that in the others. The difference lies in the fact that housing construction, which in these countries had been on much lower levels than elsewhere, increased considerably in 1955. Nevertheless, in spite of increased support from public funds, the building of dwellings in France fell very substantially short of the target of 250,000 new dwellings set by the Government. This was partly due to deficiencies in the structure of the building industry, but it was also partly accounted for by the appearance of some signs of saturation in the market for the more expensive types of dwellings. The striking contrast between France and Italy, on the one hand, and the other western European countries is not limited to housing alone. In the field of non-residential building the upswing in activity in these two countries, and perhaps also in Belgium, seems to have been much less pronounced than elsewhere.

The information about investment in equipment in 1955 is very poor because the only available indicator, in the absence of data on the national accounts, is the home supply of metal products. This includes both durable consumer goods (including motor-cars) and military equipment, as well as supplies for domestic investment. Moreover, home market purchases of passenger cars in recent years have been extremely large. As can be seen from Table 3, the gross addition to the stock of cars has been of the order of 20 to 25 per cent a year in most countries. These large purchases of passenger cars blur the picture of investment in equipment, even for countries where national accounts data are available, because in these calculations passenger cars are distributed between investment and consumption in a rather arbitrary fashion. In Table 2 the figures for home supply of metal products are given both including and excluding passenger cars, but unfortunately it is possible to exclude other consumer durables only in a very few cases. However, the figures for retail sales of electric appliances show in most cases a lower rate of increase in 1955 than do total home market supplies of metal products. It seems, therefore, that the inclusion of consumer durables may in fact not impart any upward bias to the figures of total supplies of metal products, and that these can be taken as broad indicators of the changes in investment in equipment. The only exception to this statement seems to be France, where sales of consumer durables have increased much more than investment in equipment (as derived from national accounts figures).

The upswing in investment in equipment seems to have been particularly pronounced in the United Kingdom, western Germany and the Netherlands—an impression also conveyed by the figures for industrial building. The effects of the restrictive policies in the Scandinavian countries are clearly visible; but it seems that investment in productive equipment has fared better than purchases of passenger cars, for which particularly restrictive measures were put into operation. In western Germany and the Netherlands there has been some increase in military expenditure (Table 4); but in the United Kingdom, the Scandinavian countries and Switzerland changes in military expenditure seem to have been small, and production for off-shore programmes is of relatively minor importance. It is unlikely, therefore, that changes in supplies of military equipment have significantly distorted the figures as indicators of investment in productive equipment.

In Italy and Belgium, as well as in France, off-shore orders have, on the other hand, contributed substantially to the increased activity in the engineering

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[6] The building statistics manifest certain irregularities which make their interpretation difficult. Figures for building starts may, however, be a better indicator of building activity than those of completions. A decline in the figures for buildings started can be taken to presage a real decline in building activity, whereas a decline in the numbers completed may result from an unduly large number of starts, in an earlier period, so that there is insufficient labour or materials (or even financial means) to bring them to completion within the time normally required.

TABLE 4

Defence expenditure and receipts from off-shore deliveries

Millions of dollars and percentages

Countries	Defence expenditure				Receipts from off-shore deliveries [a]			
	Millions of dollars at official exchange rates			Percentage of gross national product	Millions of dollars			Percentage of total engineering output
	1953 [b]	1954 [b]	1955 [b]	1955	1953	1954	1955	1955
United Kingdom	4 170	4 190	4 300 [c]	8	57	108	127	1
Denmark	120	130	150 [c]	4	..	..	..	..
Sweden	410	430	420 [c]	5	..	..	..	..
Western Germany	1 320	1 400	1 550 [d]	4	4	2	4	—
Switzerland	180	160	170 [c]	3	..	..	..	..
Netherlands	340	400	450	6	10	9	14	1
Belgium	360	340	350	4	9	12	32	6
France	3 380	3 190	2 990	7	165	282	320	5
Italy	720	720	710 [c]	3	61	127	108	6
Other western Europe	..	..	..	..	4	25	53	..
Total western Europe	..	..	..	..	311	565	659	2

Sources and methods : See Appendix C.

[a] Payments by the United States on contracts for the supply of defence materials and equipment.

[b] Data for the United Kingdom, Denmark, Sweden, western Germany and Italy refer to fiscal years.

[c] Forecast. Actual expenditure in the previous year fell short of the forecast by 9% in the United Kingdom, by 7% in Denmark, by 9% in Switzerland, while it exceeded the forecast by 2% in Sweden.

[d] Official estimate based on expenditure for the period April-September 1955.

industries. In France, however, the cessation of the war in Indochina in the summer of 1954 caused such a big decline in deliveries of military equipment that total deliveries of equipment to the public sector declined by 12 per cent from 1953 to 1954, and by a further 18 per cent from 1954 to 1955. This occurred in spite of increasing deliveries of equipment to North Africa in 1955. It explains the fact that investment in productive equipment could increase 6 per cent a year, and consumption of durables about 15 per cent a year during the upswing although total supplies of metal products rose less than in nearly all other countries.

In spite of all the reservations as to the validity of the figures for investment in equipment it seems fairly clear that, except in the Scandinavian countries, there has been no slowing down but rather an acceleration in 1955 as compared with the previous year.

The supply of materials to the investment-goods sector

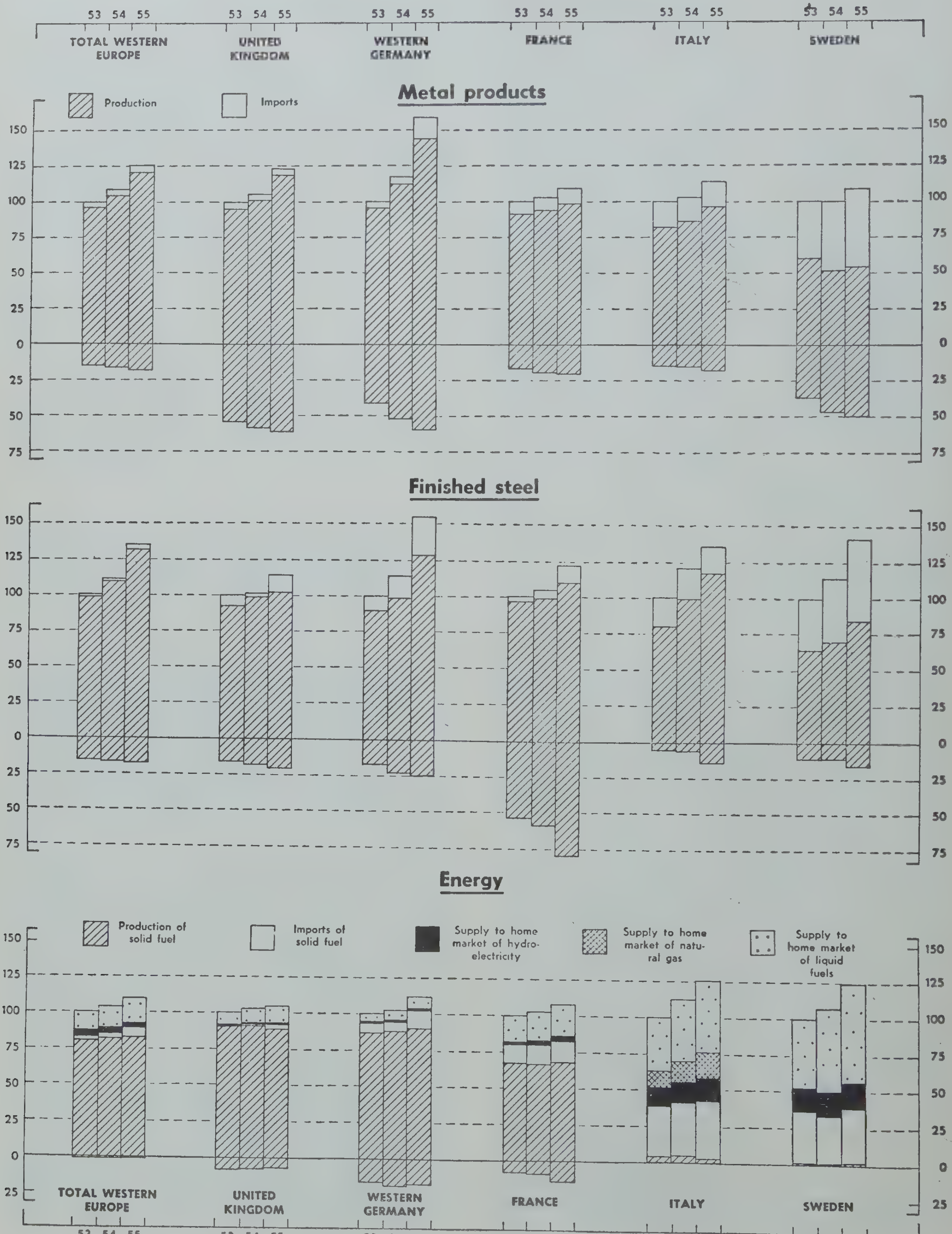
The variations in the rate of expansion between branches of activity, as well as between countries, contributed to a relatively smooth flow of production in 1955, with few bottlenecks of a serious nature in either materials or labour supply. Price increases in the investment sector were therefore generally quite moderate. The falling off of housing activity made it possible to reach the end of the building season without serious shortages of materials and, in many cases, with larger stocks than in the year before (Table 2).

In the spring of 1955 order books for steel lengthened to such an extent that many steelworks refused to accept any additional orders and there were fears that a serious steel shortage might develop. The enormous increase in production in the western German metal-using industry, by nearly 50 per cent in two years, raised western German steel imports (mainly from the other countries inside the European Coal and Steel Community) to very large amounts in spite of the rapid increase in domestic steel production. It can be seen from Chart 2 that western Germany relies upon steel imports much more than the United Kingdom and that, partly by increasing imports more rapidly, it has achieved a much faster growth of its supplies of metal products both for the home market and for export. The basis for the rapid expansion of the

CHART 2 — **Supplies to the home market, imports, exports and production of metal products, steel and energy**

Supplies to the home market in 1953 = 100

Exports are shown below the base line



Sources and methods : See Appendix C.

western European steel-consuming industries in the last two years was the large surplus of steel-making capacity available at the beginning of the period in France and Belgium. In spite of the large quantities purchased by western Germany, other Continental European countries have been able to increase not only their imports of steel but even their stocks. Compared with the big expansion in steel consumption made possible by the increased intra-European trade, the supplies obtained from outside (mainly from the United States) were of moderate size.

In the 12 months ending in October 1955, western Germany produced 15.8 million tons of finished steel, the United Kingdom 15.7 and France 11.6 (of which 2.3 in the Saar); but their apparent consumption[7] was 15.9, 14.5 and 7.5 million tons respectively. The heavy dependence on exports of the French and Belgian steel industries has made them the main exponents inside the European Coal and Steel Community of a restrictive attitude to expansion of capacity. The western German producers take the opposite line and plan to expand their steel capacity by a further 15 to 20 per cent in the next two years. This may be in the well-considered interest of France itself; the prospects of a less easy market for direct steel exports may induce French business circles affiliated with the steel industry to take a positive interest in expanding the capacity of French steel-consuming industries.

While steel output proved able to respond to the increasing demand during the upswing, this was not true of coal production. A 2 per cent increase in hard coal production on the Continent from 1954 to 1955 was partly counterbalanced by a 1 per cent decline in British production. The main reason for the inflexibility of European coal output was the usual difficulty in recruiting labour for underground work when there is easy access to more pleasant jobs. On the Continent productivity increases in the mines made it possible to increase total output in spite of a decline in the number of miners, but in the United Kingdom both numbers and productivity declined (Table 5). Nearly the whole of the increased demand for energy caused by the over-all growth of activity had, therefore, to be met by substitution of other fuels for coal and by increased coal imports from the United States and eastern Europe. In the first year of the upswing the substitution of fuel oil for coal was the most important factor ; but in 1955 about two-fifths of the increase in energy consumption was accounted for by imports of coal from the United States. At the end of 1955 these imports were approaching the peak level of the boom associated with the Korean war, with the result that freight rates have likewise been rising very fast.

TABLE 5

Output per man-hour in selected western European countries

Percentage increase over corresponding period of previous year

Industry	United Kingdom		Western Germany		France		Italy	
	1954	1955	1954	1955	1954	1955	1954	1955
Metal-using . .	4	7	10	10	..	..	2	4
Textiles	2	1	3	4	8	6	4	1
Total manufacturing . . .	4	3	5	6	7	6	7	9
Coal mining . .	3	—2	4	2	11	6	..	..

Sources : National statistics.

NOTE. — For western Germany the comparisons are between the third quarter of each year, and for the United Kingdom and Italy the second quarters are compared. For France, comparisons relate to annual index numbers communicated by the Ministry of Finance. In the case of coal mining, the figures relate to output per man-shift in the third quarter throughout.

Over the last two years fuel oil consumption in western Europe has expanded by not less than 40 per cent. Prospecting for oil has been taking place on a large scale in several western European countries, and considerable deposits of both natural gas and oil have been discovered in Italy and France. In the non-coal-producing countries of western Europe the substitution of other kinds of fuel for coal has already gone very far: in Italy and Sweden, for instance, only about one-third of energy consumption is now accounted for by solid fuels (Chart 2).[8] In the major coal-producing countries, on the other hand, the shift of consumption from coal to other sources of energy is still at an early stage.

In spite of a rapid increase in consumption of fuel oil in the last two years, coal still accounts for about 90 per cent of energy consumption in the United Kingdom and western Germany. In times when coalfields were the most important localization factor for industry, their large coal deposits were the basis of the strength of the British and German economies; but the point now seems to be approaching when it may be a disadvantage for an industrialized country—at least in western Europe—to be relatively more dependent on coal as a fuel for its industries than are its competitors in world markets.

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[7] Production plus imports minus exports.

[8] Hydro-electricity has been converted to coal equivalent on the basis of its calorific value. If it had been converted on the basis of the amount of coal required to generate an equivalent quantity of thermal electricity, the share of solid fuels in these countries' energy consumption would have been even smaller.

Since the seams in western European coalfields are too narrow to permit full mechanization, and the disinclination of labour for underground work is becoming more and more pronounced, costs of coal production may be expected to continue to rise faster than costs of production of other types of fuel. The resultant increases in production costs—or, alternatively, the costs of converting plant to use other types of fuel—will bear most heavily on those countries which are at present relatively most dependent on coal as compared with fuel oil or hydro power. Their relative disadvantage will be increased to the extent that their production and exports are concentrated on industries in which fuel and power account for a large share of total production costs.

The raising of coal prices by 18 per cent in July 1955 reduced the traditional advantage of British industry in having cheaper fuel than its competitors, although coal prices also rose—but more moderately—elsewhere. The result of this step may be to induce more economy in the utilization of coal and it may also encourage substitution of fuel oil for coal.

The elaboration of a fuel policy—and in particular a pricing policy—which takes full account of probable future trends in the relative costs of producing energy from different sources should probably be regarded as a matter of urgency by the coal-producing countries. The question arises whether it might be in the long-run interest of these countries positively to encourage the substitution of other types of fuel for coal, especially for industrial use. From this point of view the increase in coal prices in the United Kingdom was probably desirable, quite apart from its effects on the finances of the National Coal Board.

The elaboration of a programme of atomic energy production in the United Kingdom was another step on the long and costly road towards reducing the overwhelming dependence of the British economy on coal. Although these problems were under discussion also in western Germany, no final decision seems as yet to have been taken concerning either oil policy or production of atomic power. In France, where a large share of energy consumption has already shifted to hydro-power and oil, a step backwards was taken in 1955 by an agreement limiting to the 1954 level sales of fuel oil in the home market. The object was to reduce the large pit-head stocks of low grade coal. In fact, consumption of fuel oil in 1955 seems to have been somewhat higher than was foreseen in the agreement.

The supply of labour for the increased investment activity

In western Germany and Austria, where the expansion has been most marked, it was facilitated by a growing labour supply. Demographic changes (which will be discussed in a later chapter [9]) caused large net additions to the total labour force ; employment of women increased considerably, and there was continued net immigration into western Germany. In both countries, moreover, unemployment had been large at the beginning of the period. It was possible, therefore, to increase employment in the metal-using industries of both countries by 15 to 20 per cent and employment in building by 12 per cent in two years (Table 6). Unemployment in these sectors declined to low levels in the season when it normally reaches a minimum, but in other sectors, such as textiles, it continued to be high.

In the other western European countries net additions to the labour force were much smaller, although in some cases an increasing number of women entered the labour market. The fairly large expansion which nevertheless took place in employment in the metal-using industries was made possible by the transfer of people previously employed elsewhere. This is reflected in the fact that employment in textiles, coal-mining and agriculture declined considerably. The figures for Norway and Sweden in Table 6 provide an interesting example of this transfer of labour. Employment in textiles has fallen by 8 per cent in Norway and 11 per cent in Sweden during the last two years, but unemployment in textiles continued to be practically non-existent in Norway and only 1 to 2 per cent in Sweden.

The information available about the length of working hours in the countries shown in Table 7 suggests that only a very small part of the growing demand for labour in western Europe has been met by more overtime work. Working hours were already long in the building industry in 1953, and in the metal-using industries they have been lengthened since then by no more than, at most, one hour a week in these countries. The textile industries seem generally to be working shorter hours than other industries, and to have reduced them further in 1955.

The appearance of local labour shortages in 1955 led to some increase in labour movements across European frontiers. For instance, increasing numbers of Danes and Finns found employment in Sweden, and increasing numbers of Italians and western Germans in Switzerland. It was, however, only in

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[9] See Chapter 5, Section 2.

TABLE 6

Changes in employment and unemployment in selected western European countries

Activity	Year	United Kingdom	Denmark	Norway	Sweden	Western Germany	Austria	Switzer-land	Nether-lands	Belgium	France	Italy	Yugo-slavia
Employment [a] *Percentage increases over the corresponding period of the previous year*													
Metal-using industry .	1954	3	14	5	2	8	4	1	8	1	1	3	16
	1955	5	5	4	4	11	10	7	6	5	3	4	12
Textile industry . . .	1954	4	−8	−2	−6	2	2	3	3	−1	−1	−3	16
	1955	−3	−11	−6	−5	5	3	1	—	−2	−5	−6	16
Coal mining	1954	−1	..	..	..	−1	..	..	..	−4	−4	..	13
	1955	−1	..	..	..	—	..	..	..	−3	−4	..	10
Total industry	1954	3	4	2	1	5	4	2	4	—	—	1	16
	1955	3	—	2	2	7	7	5	3	1	—	1	13
Bulding industry . . .	1954	1	1	4	2	7	2	5	..	3	6	..	11
	1955	1	..	−3	..	5	10	5	..	3	7	..	4
Agriculture [b]	1954	−3	−2	−9	..	−3	−3	..	..	..	..	..	..
	1955	−4	−6	−10	..	−3	−6	..	..	..	..	..	..
Total of all activities .	1954	2	..	2	..	5	..	..	..	1	—	..	..
	1955	1	..	2	..	5	..	..	..	..	1	..	..
Unemployment [c] **in the normally lowest month of each year** *Percentages of wage- and salary-earners* [d]													
Metal-using industry .	1953	1.0	3.7	0.3	1.6	3.0	..	..	1.4	6.8	0.7	..	..
	1954	0.7	1.5	0.1	1.4	1.9	2.9	..	0.7	4.7	0.6	..	..
	1955	0.5	2.5	0.1	1.1	0.7	2.0	..	0.5	3.1	0.4	..	..
Textile industry . . .	1953	0.8	3.5	0.3	1.1	8.1	..	..	0.7	11.4	1.0	..	..
	1954	0.6	2.4	0.2	2.1	8.4	6.4	..	0.4	9.3	1.2	..	..
	1955	0.6	6.6	0.2	1.5	4.8	4.8	..	0.2	8.7	1.4	..	..
Total industry	1953	0.9	3.9	0.3	1.4	6.4	..	0.1	1.0	8.9	1.0	14.7	..
	1954	0.7	2.5	0.1	1.3	5.0	3.8	0.1	0.5	6.1	1.0	14.1	..
	1955	0.6	3.4	0.2	1.0	2.6	2.7	—	0.3	4.6	0.9	14.3	..
Building industry . . .	1953	2.0	4.1	0.7	2.1	5.6	..	0.1	2.3	8.9	0.7	..	..
	1954	1.6	3.6	0.6	1.7	3.5	2.9	0.1	1.8	6.3	0.6	..	..
	1955	1.2	5.8	0.7	1.9	1.1	1.5	—	1.0	4.5	0.4	..	..
Total of all activities .	1953	1.1	4.1	0.4	1.5	5.7	..	0.1	2.2	7.8	1.2	10.4	5
	1954	0.9	3.1	0.3	1.4	4.8	4.2	0.1	1.4	5.8	1.2	10.4	4
	1955	0.7	3.9	0.2	1.4	2.7	3.0	—	1.0	4.4	1.0	10.3	..

Sources : See Appendix C.

NOTE. — Employment data for 1954 refer to the whole year; for 1955 they refer to as many months as are available (9-10 months). The data shown for unemployment are not always strictly comparable as between countries; in some cases it has been necessary to match industrial groups with occupational groups.

[a] Industry in Denmark: man-hours worked.

[b] Hired male labour in the summer of each year.

[c] Austria: applicants for work; France: unsatisfied applicants for work.

[d] Denmark and Sweden: unemployment as a percentage of workers insured against unemployment; Italy: percentage of total occupied population.

Switzerland that this immigration was of considerable size in relation to the national labour force. The boom in the building and metal-using industries raised the number of foreigners employed in Switzerland in the summer of 1955 to about 270,000, or 10 per cent of the total labour force.

The special character of the upswing in France, Belgium and Italy is reflected in the employment figures. These three countries were the only ones where industrial employment failed to increase significantly over the two years. While in France the growth in employment in building matches that in western Germany and Austria, the rate of increase of employment in the French engineering industries seems to be the lowest in western Europe. Belgian unemployment continues to be fairly high, and in Italy the expansion has caused no reduction in unemployment although working hours have been shortened in order to bring more workers into the factories.[10] In Denmark the deflationary policy has caused an increase in unemployment.[11]

There has been a tendency in many countries in recent years to consider a large share of the unemployed as " unemployable " or at least as being of very low capacity. With the absorption of many of these people into the labour force and, in addition, the transfer into the expanding industries of large numbers of workers from other industries requiring very different skills, it might have been expected that labour productivity would hardly develop favourably. However, there are no signs of unfavourable developments in the available information about output per man-hour which is brought together in Tables 5 and 8. The increases in output per manhour during the upswing have been very impressive in most countries,[12] and it can be seen—by comparison of these with the employment figures in Tables 6 and 7—that in most countries increases in output per man contributed more to the rise in production than did growing employment. The improvements in output per man-hour in the metal-using industries helped to keep prices of capital goods fairly stable, in spite of the increases in metal prices and in wages, and permitted price reductions for many durable consumer goods.

TABLE 7

Average hours worked per week in selected western European countries

Industry	United Kingdom			Finland			Western Germany		
	1953	1954	1955	1953	1954	1955	1953	1954	1955
Metal-using	46.5	47.0	47.3	46.0	45.6	45.1	48.8	49.6	49.7
Textiles	44.7	44.7	44.4	45.1	45.0	45.2	46.8	46.5	46.4
Total manufacturing	45.7	46.1	46.3	45.0	45.1	45.0	48.6	49.0	49.0
Building and construction	48.6	48.8	49.6	..	..	..	49.0	49.2	49.3

Industry	Switzerland			France			Italy [a]		
	1953	1954	1955	1953	1954	1955	1953	1954	1955 [b]
Metal-using	48.1	48.2	48.2	45.8	46.4	46.6	46.1	45.6	45.0
Textiles	..	47.7	47.6	42.1	42.6	41.5	39.3	40.4	36.0
Total manufacturing	47.7	47.7	47.7	44.4	44.8	44.9	43.6	43.5	42.2
Building and construction	49.8	50.0	49.9	47.7	48.1	48.5	..	..	..

Sources : National statistics.

NOTE. — The data refer to a week or month in the second or third quarter of each year.

[a] Derived from data on hours worked per month.

[b] End of first quarter.

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[10] A law forbidding overtime work except under special circumstances was passed by Parliament towards the end of 1955.

[11] It should be noted that the figures in Table 6 show unemployment rates in what is normally the best season of the year. The problem of seasonal unemployment is discussed in Chapter 5.

[12] However, the very high rates of increase in Italy in output per man-hour in industries other than the metal-using industries and textiles (which can be derived from the figures given in Table 5) are probably due, to a large extent, to structural changes in Italian industry. The growth of Italian industry in recent years has mainly taken place in such very capital-intensive branches as energy, steel and chemicals.

3. CHANGES IN INCOME AND CONSUMPTION

The development of wages and prices

The rapid industrial upswing raised money earnings in industry considerably. In most countries the increase in earnings over the last two years amounted to between 8 and 15 per cent, but in Finland, Belgium and Switzerland the increase was considerably smaller. The changes in money earnings are shown in Table 8 together with changes in output per manhour and a number of other related data. Some of the statistical series on which this table is based are very imperfect, and in many cases the percentage increases shown represent orders of magnitude only, but nevertheless it seems possible to draw certain tentative conclusions.

The table is arranged from left to right in descending order of the rate of increase in money earnings in 1955; and the next two lines, containing information about output per man-hour, show that differences between countries in the rate at which money earnings in industry have increased during the upswing have borne very little relation to differences in rates of increase of output per man-hour. Most of the countries which show a high rate of increase of output per manhour are found not on the left-hand but on the right-hand side of the table.

Money earnings increased most rapidly in France, the Netherlands, the United Kingdom, Sweden and

TABLE 8

Earnings, output per man-hour, prices and consumption

Percentage increase over previous year

	Year	Yugo-slavia	France	Nether-lands	United Kingdom	Sweden	Norway	Western Germany	Italy	Denmark	Austria	Finland	Belgium	Switzer-land
Money earnings per hour in industry	1954	7[a]	7	11	6	4	5	2	3	5	8	2	1	2
	1955	..	9[a]	8	7-8*	7	6	6	6[a]	..	4	4	2*	..
Output per man-hour in industry	1954	−2	7	6	4	3	4	6	7	5	7	9	8	..
	1955	4	7	5	3	3	3	7	7	2	6	5	8	..
Wholesale prices of industrial goods[b]	1954	4	−3	2	—	−1	—	−4	2[c]	—	..	—	−1	—[c]
	1955	..	—	3	3	2	—	1	−2[c]	6	..	−2	1	−2[c]
Retail prices of industrial goods[b] [d]	1954	−2	—	2	−1	—	1	−1	2	1	−1	−1	−1	−1
	1955	6	—	—	1	−1	—	—	1	5	1	−6	−1	—
Cost of living	1954	−2	—	4	2	1	4	—	3	3	4	—	1	1
	1955	13	1	2	4	2	1	2	3	5	1	−4	−1	1
Real earnings per hour in industry	1954	9[a]	7	7	4	3	1	2	−1	2	4	2	—	1
	1955	..	8[a]	6	4*	5	5	4	3[a]	..	3	9	3*	..
Industrial wagebill in real terms[e]	1954	26[a]	8	11	7	5	1	8	2	6	10	6	—	3
	1955	..	8[a]	9	7*	7	6	12	4[a]	..	14	14	4*	..
Total wagebill in real terms[f] .	1954	..	8	9	5	3	3	8	4	..	6	10	2	2
	1955	..	6	..	..	..	5	11	..	..	..	..	..	..
Volume of private consumption	1954	14	5	5	4	4	4	8	3	5	10	9	1	..
	1955	10	6	7	4	3	3	9	5	...	9	6	..	..

Sources : National statistics.

NOTE. — The countries are listed in order of the rate of increase of money earnings in 1955. Owing to differences in the coverage of the series used, many of the figures represent orders of magnitude only, and no conclusions can be drawn from minor divergencies between the series or between countries. Data for 1954 refer to the whole year, whereas data for 1955 refer to as many months as are available (normally 9-11 months). The percentage increases for 1955 are based either on corresponding months of 1954 or on the whole year 1954, depending on the nature of the series (seasonal or not). In cases where no data were available for the number of hours worked per week, it was assumed that the number increased by one-half per cent a year in 1954 and remained constant in 1955. (As can be seen from Table 7, this was generally the case in those countries for which statistics of average hours worked per week are available.)

[a] Based on wage rates.

[b] Excluding manufactured food.

[c] Unit values of exports of industrial manufactures.

[d] Series entering into cost-of-living indices; in some cases textiles only are covered.

[e] Based on industrial employment and hourly earnings, deflated by the cost-of-living index.

Based on national accounts data, deflated by the cost-of-living index.

Norway, reflecting mainly the greater strength of the trade unions and the tighter supply situation on the labour markets in these countries. However, output per manhour increased less rapidly than elsewhere in all these countries, apart from France, mainly because their industrial capacity was more fully utilized at the start of the period. In this group of countries, therefore, the increase in money earnings seems to have run ahead of the increase in output per man-hour, while this has apparently not been the case elsewhere in western Europe. In western Germany, Italy, Finland, Belgium and probably Switzerland the increase in money earnings seems to have lagged considerably behind the increase in output per man-hour between 1953 and 1954, and it is doubtful if the gap was closed between 1954 and 1955: it certainly did not close in Belgium.

It might be expected that such very marked differences in the movements of money earnings in relation to output per manhour would cause divergent movements of prices of industrial manufactures in the two groups of countries. The indices for wholesale prices of industrial manufactures shown in the table reflect these differences to some extent, since the upward tendency is more pronounced in the first group of countries than in the second; but there are hardly any differences in the movements of the retail price indices shown in the table. In all countries except Finland, Denmark and Yugoslavia, retail prices of industrial manufactures remained remarkably stable during the whole of the upswing, and this was true both of those countries where money earnings ran considerably ahead of industrial productivity and of those where they lagged behind.[13] It must be stressed, however, that differences in the composition of the price series and their limited coverage make it somewhat hazardous to draw conclusions from their behaviour.

In spite of the relative stability of retail prices of industrial manufactures, there was a general upward tendency in cost-of-living indices. This was caused mainly by increases in prices in the sectors of the economy, such as services, agriculture and coal-mining, where productivity improved less rapidly than in manufacturing industry, but where wages nevertheless increased. In a number of countries, however, a substantial part of the rise in the cost of living resulted from changes in government policy. In the United Kingdom and Denmark, reductions in food subsidies and increases in turnover taxes contributed to the rise, and, in nearly all countries, rent increases that were authorized for older dwellings had the same effect. In some of the countries where the cost of living did not increase at all, this was partly due to tax reductions and changes in subsidies. The Governments of Finland, France, the Netherlands and western Germany all limited increases in the cost of living by reducing turnover taxes or prices charged for public services. The most rapid increases in the cost of living occurred in the southern European countries, where food prices rose considerably after bad harvests in 1954. The cost-of-living index rose 13 per cent in Yugoslavia, 7 per cent in Turkey, 6 per cent in Greece and 3 per cent in Italy.

Apart from the southern European countries, the United Kingdom and Denmark, the rise in the cost-of-living indices from 1954 to 1955 nowhere exceeded 2 per cent. But in the United Kingdom real wages nevertheless rose significantly. In general, therefore, the wage earners got nearly the full advantage of the rise in money earnings. The result of this was that real wages, with few exceptions, advanced most in the countries where there seemed to be least room for wage increases.

Changes in the volume and pattern of consumption

It was mainly differences in the balance-of-payments situation which induced governments, with the common aim of keeping the expansion under control, to use the contrasting measures already mentioned above. In the United Kingdom, Denmark, Norway, and—in a lesser degree—Sweden, the upswing caused balance-of-payments difficulties; and these countries were also among those where the rise in money earnings in industry exceeded the rise in output per man. It was therefore deemed necessary to restrict consumption by raising taxes and rents or reducing subsidies, in spite of the adverse effect of such measures on the level of prices. The policies adopted in these countries differed mainly with respect to timing. In Denmark, the first steps towards a policy of restricting consumption were taken in the summer of 1954; Sweden and Norway began to apply restraints in the winter, and later the United Kingdom followed the same course. Tables 8 and 9 therefore show the effects of these policies much more clearly for Denmark than for the other countries mentioned.

The other industrialized western European countries, in which the balance-of-payments situation is much more comfortable, could afford to overcome bottlenecks by deliberately increasing imports, and to seek to keep prices down by reducing tariffs and turnover taxes and by other measures which necessarily tended to raise consumption.

The figures for changes in the total industrial wage bill at constant prices shown in Table 8 are subject

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[13] In Denmark, prices rose partly as a result of an increase in turnover taxes; in Finland, prices fell as a result of a reduction in turnover taxes.

TABLE 9

Consumption and retail sales of selected commodities

Percentage increase over corresponding period of previous year
Changes in volume, except for figures in italics, which represent changes in value

	United Kingdom		Denmark		Norway		Sweden		Western Germany		Austria		Switzerland		Netherlands		France	
	1954	1955	1954	1955	1954	1955	1954	1955	1954	1955	1954	1955	1954	1955	1954	1955	1954	1955
Food	4	2	2	−4	4	4	2	2	7	7	11	8	3	3	8	6	3	5
Tobacco	2	2	2	—	2	1	2	3	10	10	−8	10	1	1	3	5	—	3
Clothing	5	3	1	−3	2	1	—	1	5	9	8	12	5	6	11	11	6	3
Household textiles	8	5	..	..	..	..	..	..	6	10	..	..			10	9		
Furniture	*11*	*7*	*6*	*−4*	10	2	*4*	*2*	*8*	*13*	*19*	*14*	5	*32*	*18*	*13*	*11*	*17*
Hardware	*14*	*12*	*8*	*2*	*8*	*11*	*7*	*4*	*8*	*13*	*13*	*21*	*13*	*12*	*15*	*11*	*11*	*7*
Electric appliances	*14*	*17*			..	..	*5*	*2*	*9*	*14*	..	..	*9*	*9*	*23*	*13*	*18*	*15*
Total retail sales	..	..	3	−4	2	5	3	2	7	9	9	11	4	6	6	7	..	..
Motor-cycles and scooters [a]	..	..	..	..	75	−29	..	..	−16	−24	18	19	−24	−13	..	..	17	1
Passenger cars [a]	39	31	38	−23	64	−11	66	1	24	30	142	115	17	24	..	..	15	31
Total private consumption	4	4	5	..	4	3	4	3	8	9	10	9	..	..	5	7	5	6

Sources : National statistics and Table I.

NOTE. — Data for 1954 refer to the whole year ; for 1955 they refer to as many months as are available, normally 10-11.

[a] Based on numbers of new registrations or available supplies.

to a considerable margin of error because of the differences in coverage of the series from which they have been calculated. It seems, nevertheless, that there is a significant tendency, at least in the countries in the left-hand side of the table, for the industrial wage bill in constant prices to increase faster than the total wage bill and considerably faster than total consumption. The fact that the industrial wage bill rose faster than the total wage bill in part reflects the transfer of labour from other sectors to industry, mentioned in the previous section; but it is also highly probable that wages in industry have run ahead of wages in some other branches of the economy, in particular those of civil servants. Unfortunately, the lack of recent statistical information about incomes of non-wage earners makes it impossible to draw any conclusions about the divergencies in the movements of the total real wage bill and the total volume of consumption.

The present upswing in western Europe has often been described as a boom in durable consumers' goods, because the expansion in consumption of these goods in all countries was faster than the growth either of total consumption or of total retail sales. It is, however, apparent from Table 9 that the concentration of the increase in demand on consumers' durable goods was much more pronounced in countries where the rise in incomes accrued mainly to those already employed and to profits, than in the countries where a large share of the increase in incomes accrued to workers not previously employed.[14] In western Germany and Austria, where industrial employment increased by 7 per cent, the increases in consumption of food, tobacco and clothing were very large, although still not quite as large as the increases in consumption of consumer durables: in the Netherlands consumption of clothing rose considerably.

The influence of the economic policy measures mentioned above is apparent in the table: first of all, the effects of restrictions imposed on purchases of passenger cars in the Scandinavian countries; secondly, the influence of the divergent trends of house-building on sales of furniture and household textiles, and lastly, the cutting back of consumption in Denmark and a slowing down of its rate of increase in Sweden and the United Kingdom. In the case of the United Kingdom this was partly, but not exclusively, due to the restrictions on hire purchase sales.

The large expansion in sales of cars and other consumer durables has been greatly assisted by the

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[14] Changes in employment are shown in Table 6.

TABLE 10

Hire purchase sales of durable goods and instalment credits outstanding

A: *Hire purchase sales of commodity group as percentage of total sales of commodity group*
B: *Hire purchase sales of commodity group as percentage of total hire purchase sales*

	United Kingdom		Western Germany		Austria		Belgium		France	Italy	United States	Canada
	1954		1953		1953		1955		1954	1955	1955	1955
	A	B[a]	A	B[b]	A	B	A	B	B[a c]	A	A	A
I. *Hire purchase sales :*												
Textiles and clothing	..	2	3	17	9	18	..	6	..	15	..	..
Furniture	70-80	34	39	13	50	33	..	26	..	48	58	67
Electric appliances	..	4	10	11	27		..		..	23		
Of which : Vacuum cleaners	..	21	..	..	..		..		..	..		
Radios	50		..	8	..		50-60		..	57		
Television sets	66		..	..	..		..		..			
Other household equipment	..	9	2	..	5		10[d]		13[d]	9		
Bicycles	..	2	33	2[e]	39	29	..	6	..	27	..	..
Motor-cycles	..	28	..	19			50		..		..	..
Passenger cars	15		..		..		70-80	34	67		70	65
Commercial vehicles	17		..	24	..		20-30	16	..		..	
Other	..	—	..	6	..	20	..	12	19	..	..	..
Total hire purchase sales as percentage of total private consumption	..		3.7		3.0		2.3		..	3.0	8.0	7.0
II. *Total instalment credits outstanding :*												
As percentage of national income[f]	2.1-2.7		1.7		1.8		1.5		0.9[c]	..	5.3	4.3
Percentage increase 1953-1954	30-40		27		25		..		..	..	—1	—
Percentage increase 1954-1955	..		21		..		21		40[c]	..	23	5

Sources : See Appendix C.

NOTE. — Figures indicate, in many cases, orders of magnitude and are comparable as between countries only within very wide margins. Housing loans, personal loans and book credits have been excluded throughout.

[a] Hire purchase debt outstanding for commodity group as percentage of total hire purchase debt.

[b] The distribution by commodity group refers to specialized credit institut only.

[c] Figures refer to banks and specialized institutions only.

[d] All household equipment including electric appliances.

[e] Including sewing-machines and typewriters.

Figures refer to 1954, except for Austria, where they refer to 1953.

growth of instalment buying. As can be seen from Table 10, total instalment credit outstanding increased by 20 to 40 per cent a year during the upswing in those western European countries for which information is available. Although the figures in the table are often only crude estimates and of limited comparability, they suggest that hire purchase transactions have accounted for a large part of the sales of the commodities just mentioned. In textiles and clothing also they seem to be fairly important in some countries.

Although hire purchase sales seem to be rapidly expanding in western Europe, they still represent a much smaller share of total consumption than in the United States and Canada, for which figures are also shown in the table. This is only partly due to the larger share of cars and other consumer durables in North American consumption: it is also partly due to the fact that in these latter countries a larger share of the retail trade in the commodities listed seems to be done on the instalment plan. The western European economy therefore is much less exposed than the North American economy to fluctuations caused by the instability of hire purchase; but, conversely, restriction of instalment credit is a much less effective means of controlling the volume of consumption in Europe than it is in North America.

4. THE REPERCUSSIONS OF THE WESTERN EUROPEAN EXPANSION ON FOREIGN TRADE

Changes in the commodity composition of imports

The shifts which took place in the pattern of consumption and production during the upswing had very important repercussions on the composition of imports. While demand for imports of fuels and raw materials for the metal-using and building industries increased rapidly, there was no increase in demand for imported foodstuffs or textile raw materials or for other imports subject to increasing competition from synthetic materials.

Table 11 shows changes in the volume of imports into the seven most important western European importing countries[15] of fifteen commodity groups accounting for some three-fifths of total imports of food and raw materials into these countries. The

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[15] These countries together account for 80 per cent of total imports into western Europe.

TABLE 11

Imports of selected commodities by area of origin [a]

Value in millions of current dollars, and percentage increase in volume over corresponding period of previous twelve months

Area of origin / Commodity	Europe [b]			Dollar area			Other overseas countries			Total imports		
	Value 1954/55	Increase in volume[c] 1953/54	1954/55	Value 1954/55	Increase in volume[c] 1953/54	1954/55	Value 1954/55	Increase in volume[c] 1953/54	1954/55	Value 1954/55	Increase in volume[c] 1953/54	1954/55
Mineral products :												
Copper	165	16	−9	196	14	66	492	9	15	853	12	17
Other metals (incl. steel)	1 169	10	27	358	−8	47	129	−9	−3	1 656	4	28
Crude petroleum . . .	12	50	67	140	20	56	1 782	16	9	1 934	16	12
Refined petroleum . . .	303	37	37	169	4	−4	234	11	11	706	17	16
Coal	752	13	25	171	−41	80	11	—	120	934	—	33
Total of mineral products listed	2 401	14	24	1 034	−6	43	2 648	13	10	6 083	10	20
Agricultural products :												
Cotton	110	19	10	482	1	20	556	31	−20	1 148	17	−3
Wool	88	−4	8	—	. .	. .	1 032	−5	−7	1 120	−5	−6
Oil-seeds, fats and oils .	148	−1	16	248	84	46	723	1	−6	1 119	9	5
Wheat	125	81	17	404	−39	14	202	99	25	731	−14	17
Maize	17	33	−6	88	8	−31	161	110	56	266	38	8
Sugar	13	−13	−35	93	25	−32	258	46	−19	364	32	−25
Coffee	6	−50	25	186	33	20	489	6	−8	681	10	−3
Tobacco	75	12	14	228	22	19	140	3	14	443	13	16
Total of agricultural products listed	582	14	11	1 729	−2	11	3 561	10	−6	5 872	7	−1
Other commodities :												
Rubber	5	−8	33	44	32	38	408	−1	10	457	1	13
Timber and wood pulp .	1 140	29	15	244	3	40	146	61	3	1 530	28	17
Total of commodities listed	4 128	18	19	3 051	−3	22	6 763	11	1	13 942	10	10

Sources and methods : See Appendix C.

NOTE. — Figures relate to 12-month periods from July to June.

[a] Figures relate to imports into Belgium-Luxembourg, France, western Germany, Italy, the Netherlands, Sweden (except for coal and wood pulp) and the United Kingdom.

[b] Including imports from eastern Europe.

[c] Volume increases are computed from values at 1954/55 typical prices.

TABLE 12

Harvest of cereals and sugar and numbers of cattle and pigs in western European countries

Thousands of tons and numbers, and percentage increase over previous year

Countries	Wheat				Other cereals [a]				Sugar, raw equivalent				Cattle [b]				Pigs [b]			
	Thousands of tons	Percentage increase			Thousands of tons	Percentage increase			Thousands of tons	Percentage increase			Thousands	Percentage increase			Thousands	Percentage increase		
	1955	1953	1954	1955	1955	1953	1954	1955	1955 [c]	1953	1954	1955	1954 or 1955	1953	1954	1955	1954 or 1955	1953	1954	1955
United Kingdom	2 514	15	4	-11	5 893	4	-15	10	675	26	-13	-1	10 672	2	3	0	5 827	4	21	-7
Ireland	430	57	19	-13	881	-4	-18	32	90	37	-22	-8	4 455	2	2	-1	805	23	9	-16
Denmark	265	-6	3	-9	4 145	-3	-5	6	272	47	-40	16	3 178	1	3	1	4 607	20	13	-5
Norway	30	0	5	-27	304	24	0	-21	..	..	..	..	1 171	0	3	-1	464	-9	7	14
Sweden	747	28	3	-27	1 776	19	-11	-19	246	43	-14	-15	2 575	1	1	0	1 575	4	14	-2
Finland	190	-4	8	-29	1 032	10	-13	-14	23	75	6	-38	1 885	-2	4	..	546	5	26	..
Western Germany	3 378	-3	-9	17	9 074	7	8	-4	1 365	59	-7	4	11 819	1	-1	0	13 777	-4	3	17
Austria	500	24	-9	11	1 234	19	-7	4	214	38	15	2	2 304	-2	0	..	2 595	11	-9	14
Switzerland	260	-12	41	-25	193	5	-3	-7	30	17	-18	7	1 583	-3	-3	-1	1 038	1	-7	9
Netherlands	350	-24	59	-12	1 408	-2	0	8	415	4	-6	0	2 989	3	3	-1	2 364	7	-1	22
Belgium	720	-1	3	22	983	2	-4	-2	350	26	-15	1	2 252	5	2	-5	1 419	-8	4	8
France	10 285	7	18	-3	7 492	19	6	-1	1 520	64	3	-10	17 273	4	2	..	7 570	2	3	..
Italy	8 300	15	-20	14	4 045	29	-9	4	930	11	15	5	9 250	3	3	..	4 450	4	-2	3
Yugoslavia	2 438	50	-45	76	4 757	128	-26	29	155	195	-14	8	5 273	2	3	..	4 731	-5	10	..
Greece	1 330	33	-13	9	717	30	-14	4	..	..	..	..	960	4	6	..	603	3	0	..
Turkey	7 420	24	-38	48	5 500	7	-24	23	290	7	3	46	10 860	1	1	..	..	..	..	..
Spain	3 922	-26	58	-28	3 333	-22	33	-17	300	-43	-22	12	4 500	2	..	..	5 000	14	15	..
Portugal	400	19	8	-47	631	-11	5	-22	..	..	..	..	..	..	..	..	..	..	..	..
Total of countries listed	43 479	10	-6	7	53 398	12	-6	3	6 875	31	-6	1	93 000	2	3	..	57 000	4	5	..

Sources : Sugar: *Sugar Review*, Czarnikow Ltd., London; other data: *Yearbook of Food and Agricultural Statistics*, FAO, and *Monthly Bulletin of Agricultural Economics and Statistics*, FAO; national statistics and information supplied by governments.

[a] Including rye, barley, oats, maize and mixed grains.

[b] In cases where the annual census is taken before April, the figure is attributed to the previous year.

[c] Estimates made in November 1955.

table reveals a striking contrast between imports of commodities of agricultural origin and imports of minerals and forestry products. The volume of imports of both timber and wood pulp and of the five commodity classes of mineral origin rose by one-fifth from 1953/54 to 1954/55, with coal, steel and non-ferrous metals other than copper increasing by nearly one-third.[16] Imports of the eight commodities of agricultural origin as a group declined slightly, mainly because substantial increases in imports of cereals were counterbalanced by lower imports of textile raw materials and sugar.

The changes in imports of some commodities—for instance, sugar—seem to reflect changes in stocks either of a speculative nature or counterbalancing stock changes in the opposite direction in the previous harvest year. The changes in imports of cereals partly reflect changes in agricultural production in Europe. Thus the excellent wheat harvest in 1953 (Table 12) had caused imports to fall, while the less satisfactory harvest in 1954 was accompanied by a big increase. It can be expected that the fairly large 1955 harvest will again reduce wheat imports in the current harvest year. Similarly, a reversal of the recent rise in maize

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[16] The relatively small increase in imports of mineral oil was influenced by the restrictions, mentioned in Section 2, on consumption of fuel oil in France, one of the major importers in western Europe.

TABLE 13

Output of selected products of the chemical industry

Thousands of tons and percentage increase over corresponding period of previous year

Commodity	United Kingdom			Western Germany			France			Italy		
	Quantity	Percentage increase		Quantity	Percentage increase		Quantity	Percentage increase		Quantity	Percentage increase	
	1954	1954	1955	1954	1954	1955	1954	1954	1955	1954	1954	1955
Plastics materials and chemicals used in making plastics :												
Plastics materials	278	31	22	338	35	28	85	61	27	82	58	30
Methanol	73[a]	..	..	147	31	10	22	22	14	24	51	48
Formaldehyde	..	..	..	61	38	17	12	—	—	13	16	..
Phenol	28	17	..	8[b]	6[b]	25[b]	20	41	35	9	13	..
Acetylene	..	..	..	20	10	10	9	7	10	10	10	..
Phthalic anhydride	..	..	..	24	17	18	9	48	31	7	29	..
Washing compounds :												
Detergents	..	..	..	198	7	4	75	34	24	..	..	..
Soap	470	−1	1	112	2	−5	286	4	—	..	..	..
Man-made textile fibres :												
Nylon and other non-cellulosic fibres	16	72	..	6	40	91	8	36	45	9	49	10
Rayon and acetate filament yarn	100[c]	1[c]	6[c]	60	15	15	53	14	4	63	19	1
Rayon and acetate staple	103[c]	13[c]	4[c]	130	11	15	53	12	8	62	16	1
Fertilizers :												
Nitrogenous (N content)	314	−1	−4	696	11	10	318	15	19	284	21	12
Phosphatic (P_2O_5 content)	336	−13	−1	491	15	7	554	22	9	431	14	6
Basic industrial chemicals :												
Sulphuric acid (100% H_2SO_4)	2 075	9	2	2 092	10	9	1 380	17	6	1 824	14	4
Sodium carbonate (soda ash)	..	..	..	935	18	5	662	1	9	482	12	−1
Synthetic ammonia	546	1	..	860	19	14	436	18	21	361	23	17
Chlorine	..	..	..	362	13	12	140	23	20	100	41	..
Crude coal-tar	2 821	3	−1	1 611	—	14[d]	594	5	4	151	4	8

Sources : National statistics and information supplied directly by governments except that the figures for nylon and other non-cellulosic fibres for the United Kingdom were taken from *Textile Organon*, June 1955.

NOTE. — Data for 1954 refer to the whole year; for 1955, they refer to as many months as are available, normally 9-12 months.

[a] 1953.

[b] Phenol produced from coal-tar only.

[c] Including nylon.

[d] Increase in production at coke-ovens only.

imports seems likely to follow the reduction in pig numbers which is at present taking place in a large part of western Europe as a reaction to the declines in pork prices in 1955.

The increased use of synthetic materials, as is mentioned above, has had repercussions on demand for imports. Table 13 summarizes the available information about production of a number of important chemical products in the four largest western European chemical producing countries. In spite of the important gaps in the information available, particularly for the United Kingdom, the table reflects fairly well the exceedingly rapid development in recent years of some of the new synthetic products, such as plastics and materials for plastic production, synthetic washing compounds and nylon. The yearly percentage increases in output recorded for these products amount in most cases to between 30 and 60 per cent and are sometimes even greater.

The effects of competition from the synthetic detergents on soap production and imports of oil-seeds and vegetable oils are already apparent; but most of the new synthetics are still in the early stages of development and constitute more a potential than an actual threat to imports. This is true of synthetic rubber in western Europe, although plans for a considerable expansion of output have recently been announced. The upswing, and especially the increase in vehicle production, therefore produced a large increase in rubber imports. However, it may be taken as a first sign of what is to come that imports of synthetic rubber from the United States and Canada increased from about 49,000 tons in 1953/54 to about 69,000 tons (or to nearly 10 per cent of total rubber imports) in 1954/55. Similarly, the production of nylon and other new man-made fibres, although still small in western Europe in absolute amounts and mainly competing with rayon and cotton, seems on the point of developing into a serious competitor to wool.

Chemical fertilizers constitute a further field where the rapid development of production achieved in recent years, or now in preparation, seems likely to replace overseas imports to a considerable extent in the longer run. Table 13 shows the very large recent increases in fertilizer production in western Germany, France and Italy. In a number of other countries also production of fertilizers will be greatly expanded in the next few years. The large expansion in the use of fertilizers cannot fail to lead to considerable increases in crop production in Europe and thereby further to reduce demand for agricultural imports from overseas.

Shifts in the origin of imports

Apart from the changes in the commodity composition of imports mentioned above, Table 11 also illustrates the shifts which have taken place in the origin of imports. In the period from July 1954 to June 1955 a larger share of total imports of both mineral and agricultural products was obtained from other European countries than in the preceding year. The shift of imports in favour of the dollar area was, however, still more impressive. Imports from that source of each of the groups of mineral products listed in the table (except refined petroleum) and of forest products, increased by more than 40 per cent, while imports from other overseas countries rose by less than 10 per cent in nearly all cases. For the group of products of agricultural origin, imports from the dollar area increased by more than 10 per cent, while imports from other overseas countries fell. Within this group, maize and sugar were the only commodities for which imports from the dollar area fell, purchases of all others rising by between 15 and 45 per cent; among the imports from other overseas countries only wheat, maize and tobacco showed increases.

The shifts to dollar sources were of considerable proportions for cotton, oil-seeds, fats and oils and coffee. While cotton imports from the dollar area rose from 525,000 tons to 628,000 tons between the last two harvest years, imports from overseas non-dollar suppliers—mainly Brazil and Egypt—fell from 830,000 tons to 665,000 tons. This fall in demand for non-dollar supplies has not been without effect on price developments; in Pakistan and Brazil export prices fell severely after the beginning of the 1954/55 sales season, aligning themselves fairly closely with those of competing United States qualities. One effect of liberalization of cotton imports and purchases of American surplus cotton, in Japan as well as in western Europe, has thus been to improve the terms of trade of western Europe but to reduce the export earnings of countries which are markets for European industry. The market situation for oil-seeds and vegetable oils has been similarly affected. The increase in western European imports from the United States was accompanied by a general decline in the prices of these products, which has reduced the export earnings of non-dollar producers.

The gradual liberalization of imports from the dollar area was accompanied by very considerable increases in imports of many other commodities not covered by Table 11, such as barley, hides and skins, fruit, chemicals and machinery.[17] In the first nine months of

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[17] For a more detailed discussion of the dollar liberalization measures see *Economic Bulletin for Europe*, August 1955, pp. 11-15.

TABLE 14

World trade by area

Percentage share in world trade and percentage increase in value of trade over corresponding period of previous year

Importing area / Exporting area	Western Europe			United States			Other overseas countries			World		
	Share in world trade in 1954	Increase in value		Share in world trade in 1954	Increase in value		Share in world trade in 1954	Increase in value		Share in world trade in 1954	Increase in value	
		1954	January-Sept. 1955		1954	January-Sept. 1955		1954	January-Sept. 1955		1954	January-Sept. 1955
Western Europe	*24*	11 [a]	16 [a]	*3*	−10 [a]	15 [a]	*16*	8	6	*43*	9	11
Dollar area [b]	*8*	4	38	*7*	—	3	*13*	1 [c]	5 [c]	*28*	3	9 [d]
Other overseas countries exporting mainly:												
Agricultural products	*10*	5	—	*2*	−9	−3	*6*	−1	..	*18*	1	— [d]
Mineral products	*4*	5	13	*1*	−12	23	*6*	7	..	*11*	3	12 [d]
World [b]	*46*	8	15	*13*	−5	7	*41*	3	5	*100*	6	8 [d]

Sources and methods : See Appendix C.

NOTE. — Figures are based upon current values at c.i.f. prices for imports into western Europe and at f.o.b. prices for imports into other areas. Trade of the Soviet Union, eastern European countries and mainland China with each other is excluded throughout.

[a] Including imports from eastern Europe.

[b] Excluding exports of " special category commodities " from the United States.

[c] Exports from the United States only.

[d] January-June.

1955 the c.i.f. value of total imports into the whole of western Europe from the dollar area increased nearly 40 per cent, as can be seen from Table 14, while imports from other overseas countries rose by only 4 per cent.

Dollar liberalization—either in the form of abolition of import licensing for a range of commodities or of administrative relaxation of restrictions—and shifts in the commodity composition of imports in favour of products mainly originating in the dollar area, were not the only reasons why imports from the United States expanded more than those from other sources of supply. A part of the rise in dollar imports was accounted for by sales negotiated under various United States programmes which aim at reducing surplus stocks of agricultural products. Contracts signed up to the end of June 1955 under the four most important provisions for surplus disposal amounted to nearly $800 million, of which contracts for $514 million were signed with western European countries. The proceeds of these sales are to be used for military assistance, technical co-operation and purchases of commodities for shipment to overseas countries under various aid programmes. Nearly one-half of the $514 million of surplus stocks contracted for by western European countries up to the end of June 1955 consisted of cotton, and nearly one-third of grains; the remainder was mainly oils and oil-seeds and tobacco. As can be seen by comparison with Table 11, the total of these contracts amounts to some 15 per cent of total imports of these commodities into the major western European importing countries in the last harvest year.

Effects on the purchasing power of overseas countries

It has already been said that the value of western Europe's imports from overseas countries outside the dollar area has failed to expand significantly during the present upswing. But, in addition, the moderate rise in the average unit value of western Europe's imports from overseas has to a large extent been accounted for by increases in freight rates, so that imports from non-dollar overseas countries hardly rose at all when measured either in volume or on the basis of f.o.b. values. This development helped to maintain price stability in Europe and benefited the balance of payments of the western European area taken as a whole; but it likewise prevented most of western Europe's trade partners from deriving any significant benefits from the western European expansion.

It can be seen from Table 14 that between 1953 and 1954 the recession in the United States caused the value of its imports from overseas countries outside the dollar area to decline by some 10 per cent while the value of western Europe's imports from these countries increased by 5 per cent only. This resulted in a reduction in the purchasing power of a number of countries in this group and forced some of them to reduce their imports in 1955. The rate of increase of western European exports to these areas therefore slowed down as compared with the previous year; but the high absorptive power of European markets, and the better possibilities for sales in the United States, prevented any reduction in the over-all rate of increase of the value of exports. The fall in sales to non-dollar overseas countries did, however, contribute to the 1955 crisis in the western European textile industry.

For those overseas countries outside the dollar area which export mainly food and industrial materials of agricultural origin, the export position deteriorated in 1955. As the combined effect of the shifts in commodity composition and origin of imports described earlier in this section, the total value on a c.i.f. basis of western Europe's imports from the dollar area increased by about 40 per cent, and its imports from mineral-producing countries outside the dollar area rose by 13 per cent; but no increase whatever took place in the c.i.f. value of imports from the large group of countries outside the dollar area whose exports consist mainly of agricultural products. Since freight rates for these imports probably increased by at least 20 per cent on the average, the exporters' receipts must have declined.

The adverse effects on overseas countries of these shifts in the pattern and origin of European imports in 1955 were reinforced by similar changes in the pattern of United States imports. The renewal of industrial expansion in the United States caused a big rise in imports from the mineral-producing countries outside the dollar area, while imports from the group of agricultural countries declined further from 1954 to 1955.

The divergent trends in the imports of different groups of commodities into the highly industrialized areas of the world were bound to affect also the world prices of these goods. The increasing demand for mineral products such as petroleum, coal, ores and metals, as well as for rubber and timber, raised their prices during 1955. Prices of agricultural products, on the other hand, declined under the influence of weak demand for crude foodstuffs, textile raw materials, fats and oils and some other products. The existence of large United States surplus stocks of a number of agricultural products, and the uncertainty about their future disposal, aggravated the situation. For some of the products for which prices have been rising, particularly non-ferrous metals, there exist large strategic stocks. The lessening of international tension—as well as the increasing use of substitutes for some of them—make future prospects for their prices somewhat uncertain. The same is true of timber prices following the reduction of building activity. The present favourable position of the countries depending on exports of mineral and forestry products, as compared with the agricultural exporting countries, may therefore well prove to be only temporary.

In Chapter 1 of last year's SURVEY the interdependence of the purchasing power of overseas countries and their imports from the industrialized areas was discussed from the longer-term point of view of the post-Korean trade cycle. Similar information for the shorter period of the last three years is presented in Chart 3. The variables shown are the purchasing power of the total exports of overseas countries outside the dollar area (i.e., the actual export earnings of these countries adjusted by an estimated price index for their imports), the volume of their combined imports from western Europe and the United States, and their gold and foreign exchange reserves. Under the simplified assumption that only commodity trade affects their balances of payments, the curve of purchasing power of exports would indicate the volume of imports these countries could afford to buy without —sooner or later—running down their foreign exchange reserves. In fact, the chart only indicates orders of magnitude of major changes. Moreover, the grouping of the countries as exporters of agricultural or of mineral products is, of course, somewhat arbitrary in a number of borderline cases.[18]

The countries exporting chiefly agricultural products form by far the largest part of western Europe's export market outside the dollar area. The purchasing power of the exports of these countries seems to have changed very little over the last two years when allowance is made for the pronounced seasonal fluctuations. Nevertheless, the volume of their imports from western Europe and the United States has increased quite considerably during the upswing, particularly in the period 1953 to 1954. The increasing imports have been accompanied by a decline in foreign exchange reserves; this trend started early in 1954 and has continued steadily since. Among the major countries included in this group, only Peru[19] and Pakistan (which has restricted its imports sharply during the past years) have been able to increase their foreign exchange assets during 1955; in practically all of the

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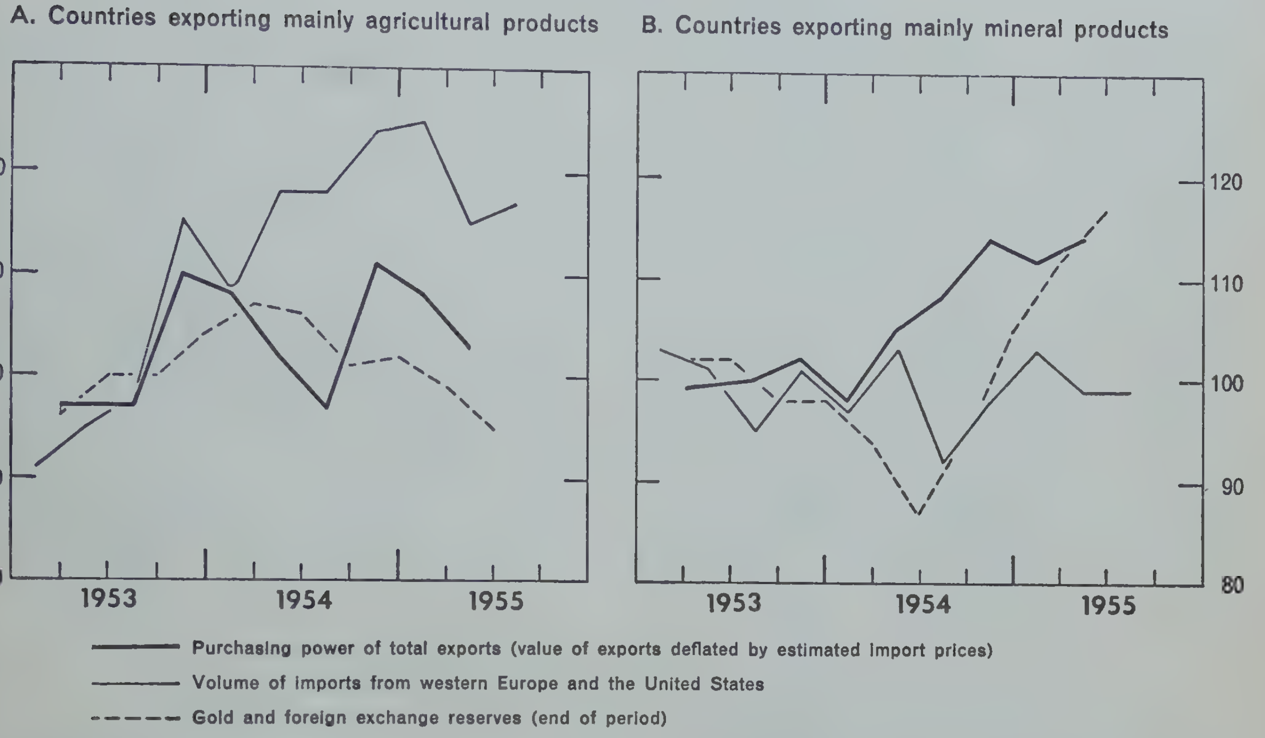
[18] For a list of the countries included in each group see Appendix C.

[19] Peru represents a borderline case because it derives a large part of its export income from non-ferrous metals.

CHART 3

Purchasing power of exports of non-dollar overseas countries

Index numbers, 1953 = 100



Sources and methods : See Appendix C.

NOTE. — Data for gold and foreign exchange reserves exclude in both groups the dependent overseas territories of western European countries, whose reserves are normally held by the metropolitan country and are not known in sufficient detail.

other countries in this group the reserves position has deteriorated.

The group of countries consisting of exporters of mineral products (mainly metals and petroleum) forms a much smaller market area for western Europe, taking only about 20 per cent of total western European exports to countries included in the chart. In this group, the upswing has had important repercussions on the purchasing power of their exports, through the combined effect of rising export prices and increasing volume; in the last period for which data are available (the second quarter of 1955), this purchasing power was nearly 10 per cent above the level of a year earlier. The steady increase in real income of this group has been accompanied by an impressive rise in foreign exchange reserves.[20]

The increasing export earnings and improved reserves position of the mineral-exporting countries have not been reflected as yet in imports from the industrialized countries, which have remained unchanged between 1954 and 1955. Here, as well as for the agricultural exporters, there thus seems to be a considerable time lag [21] in the response of import policy to changes in purchasing power. Even very recently some of the mineral-exporting countries—for instance, Chile, Thailand and Iran—were applying austere import policies designed to build up their foreign exchange reserves.[22]

It is difficult to tell whether the improving foreign exchange reserves of the mineral-exporting countries will gradually lead to an expansion in their purchases from western Europe. Even if this should be the case, the favourable effect on European exports will prob-

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[20] It must be noted, however, that data on foreign exchange reserves are unavailable for a number of countries in the group —mainly dependent overseas territories that pool their reserves with those of the metropolitan country.

[21] As was pointed out in last year's SURVEY, this time lag seems to have been nearly one year during and after the boom associated with the Korean war.

[22] Indochina is included in this group of countries. Total exports from western Europe and the United States to Indochina declined from $216 million in the first nine months of 1954 to $131 million in the same period of 1955.

TABLE 15

Exports from western European countries by area of destination

Millions of dollars f.o.b. and percentage increase over corresponding period of previous year

Destination / Exporting country	Europe [a]			Dollar area			Latin American non-dollar countries			Sterling area and other affiliated areas			Other overseas countries			Total		
	Millions of dollars Jan.-Sept. 1955	Percentage increase		Millions of dollars Jan.-Sept. 1955	Percentage increase		Millions of dollars Jan.-Sept. 1955	Percentage increase		Millions of dollars Jan.-Sept. 1955	Percentage increase		Millions of dollars Jan.-Sept. 1955	Percentage increase		Millions of dollars Jan.-Sept. 1955	Percentage increase	
		1954	1955 [b]		1954	1955 [b]		1954	1955 [b]		1954	1955 [b]		1954	1955 [b]		1954	1955 [b]
United Kingdom	1 928	6	5	786	−8	11	109	6	−2	2 767	6	4	307	−4	15	5 897	4	6
Sweden	983	11	12	88	−16	−2	49	12	−17	89	21	11	31	−17	−7	1 240	8	9
Western Germany	2 930	18	18	502	17	25	171	6	−18	438	27	24	310	36	7	4 351	19	17
Switzerland	561	5	6	161	−17	−1	45	41	8	95	17	7	73	−2	19	935	2	6
Netherlands	1 324	16	14	176	−1	0	57	20	21	239	15	9	113	−9	18	1 909	12	13
Belgium-Luxembourg . .	1 365	4	23	233	−12	14	42	59	24	250	10	4	79	−21	31	1 969	2	20
France	1 660	20	29	221	−10	17	129	10	8	1 261	6	−1	152	16	7	3 423	11	14
Italy	819	14	17	170	−2	19	87	51	44	146	1	−10	102	−2	10	1 324	10	14
Other countries	2 772	9	10	319	−4	7	125	65	6	245	17	6	110	−12	7	3 571	8	9
Total western Europe . .	14 342	12	15	2 656	−5	12	814	21	2	5 530	8	4	1 277	3	12	24 619	9	11

Sources : Figures are derived from Tables VI and VII, except that the Philippines have been excluded from " Other overseas countries ".

[a] Including eastern Europe.

[b] January-September only.

ably be rather small by comparison with the decline which can be expected in the purchases from Europe of the quantitatively much more important group of countries exporting agricultural products.

The pattern of western European exports in 1955

It is apparent, from what is said above, that the shifts in the geographical pattern of western European exports in 1955 were in the same direction as the shifts in imports. It can be seen clearly from Table 15 that the expansion of exports between 1954 and 1955 was predominantly a reflection of the strong demand prevailing in the industrialized areas of the world: exports to other European countries increased by 15 per cent, and those to the dollar area by 12 per cent in value. The rates of expansion of sales to European markets were particularly large in France and Belgium, which, as has been noted earlier, were able to export certain commodities in short supply in other western European countries. Exports to the dollar area did not increase uniformly, and the Netherlands, Switzerland and Sweden failed to benefit from the general recovery of demand after the recession in the United States. In Switzerland this was due to smaller watch exports after the increase in tariffs in the United States, while Swedish exports of iron ore and wood pulp to the United States declined because of the shortage of available supplies and the pull of European demand.

The development of exports to the non-dollar countries of Latin America and to the countries affiliated with European currencies shows a sharp contrast with the booming sales to markets in Europe and the dollar area. To these two important overseas market areas, which together absorb about two-thirds of total overseas sales, the value of exports rose by only 2 and 4 per cent respectively, from 1954 to 1955. The residual group in the table was the only overseas non-dollar area which significantly increased its purchases in Europe, but in some cases this rise represented only a partial recovery of ground lost between 1953 and 1954. This group includes some markets where import policy is often of a " feast and famine " character. Thus, exports to Egypt and Indonesia rose because import

TABLE 16

Production, retail sales and foreign trade in textiles

Millions of dollars and percentage increase over corresponding period of previous year

	Volume of production		Volume of retail sales		Value of exports			Value of net exports		
	Percentage increase		Percentage increase		Million dollars 1954	Percentage increase		Million dollars 1954	Percentage increase	
	1954	1955	1954	1955		1954	1955		1954	1955
Large net exporters										
United Kingdom	2	−2	6	4	1 012	—	−2	795	−9	−4
France	8	−4	6 [a]	3 [a]	557	10	−3	505	11	−5
Italy	5	−11	..	..	313	−5	−2	263	−7	−4
Belgium	11	4	3	5-6	327	8	—	207	11	−7
Other net exporters										
Western Germany	5	7	5	9	334	27	16	90	177	3
Switzerland	..	..	5	6	174	1	5	83	−13	2
Netherlands	8	2	11	10	223	5	4	36	−29	−22
Austria	11	5	8	12	66	26	19	29	15	−23
									Net imports	
Net importers										
Denmark	−4	−5	1	−3	16	4	16	−101	—	−15
Norway	2	−5	2	1	11	2	−4	−87	1	−25
Sweden	−1	−6	—	1	24	44	5	−146	−8	1
Greece	17	−8	..	..	2	−32	−50	−26	108	−4
Total of countries listed	5	−2	..	..	3 059	5	1	1 648	— [b]	−4 [b]

Sources : National statistics and Table 9.

NOTE. — Data for 1954 refer to the whole year; for 1955 they refer to as many months as are available (9-11 months).

[a] Estimated volume of consumption. [b] Change in net exports.

licensing was relaxed, in the former as a result of larger sterling releases and funding agreements covering commercial arrears, and in the latter because a period of strict import licensing had brought about a large increase in foreign exchange reserves.

As usual in periods when exports to overseas countries show signs of levelling off, textiles fared worse than other commodities. Table 16 shows that the main cause of the crisis in the textile industries in 1955 was the decline in overseas exports rather than shifts in consumption in western European countries. While consumption of textiles increased significantly from 1954 to 1955 throughout western Europe, apart from the Scandinavian countries, all the major textile pro-

TABLE 17

Production and exports of selected durable consumer goods

Numbers in thousands and percentage increase over corresponding period of previous year

Commodity		United Kingdom			Western Germany			France			Italy		
		Number	Percentage increase		Number	Percentage increase		Number	Percentage increase		Number	Percentage increase	
		1954	1954	1955	1954	1954	1955	1954	1954	1955	1954	1954	1955
Passenger cars	Production	769 [a]	27	20	518	39	37	437	19	25	181	26	24
	Exports	398 [a]	24	2	244	73	55	101	24	24	37	40	69
Motor-cycles, scooters, and bicycles with auxiliary motors	Production	180	17	—	836	44	38	969	23	18	391 [b]	6 [b]	2 [b]
	Exports	70	6	−17	139	113	52	56	18	33	47	−16	52
Bicycles	Production	3 297	10	10	890	11	12	..	..	..	317	−2	−1
	Exports	2 184	3	8	311	92	60	233	90	7	22	24	−34
Television sets	Production	1 205	5	48	129	215	267	111	89	45	..	..	..
	Exports	8	40	−42	..	..	..	4	9 159	−93	..	..	..
Record players	Production	..	..	..	559	103	60	..	..	..	..	..	..
	Exports	..	..	..	..	..	..	..	..	..	..	..	..
Radios and radiograms	Production	1 965	66	11	2 850	12	7	950	12	3	..	..	..
	Exports	336	−15	13	..	..	..	112	—	6	11 [c]	19 [c]	34 [c]
Electric cookers	Production	405	70	−17	512 [d]	25	26	..	..	..	..	..	..
	Exports	..	..	..	70 [d]	68	44	..	..	..	..	..	..
Household refrigerators	Production	..	31	2	487 [d]	55	3	242	8	24	..	..	..
	Exports	..	21	−13	110 [d]	61	44	18	−2	30	1 [d]	−57	125
Electric kettles	Production	586	44	19	1 090 [d]	—	17	..	..	..	..	..	..
	Exports	64	43	−4	..	..	..	..	..	..	..	..	..
Washing machines	Production	841	42	16	389 [d]	41	52	..	..	..	..	..	..
	Exports	240	−4	−15	110 [d]	29	38	..	..	..	..	..	..
Electric irons	Production	2 925	45	3	2 351 [d]	16	21	..	..	..	..	..	..
	Exports	660	20	23	915	50	24	..	..	..	..	..	..
Vacuum cleaners	Production	1 219	51	12	1 136 [d]	17	21	..	..	..	..	..	..
	Exports	289	34	−28	250 [d]	52	32	10 [d]	14	−32	..	..	..
Electric floor polishers	Production	134	30	7	32 [d]	33	—	..	..	..	..	..	..
	Exports	108	27	7	..	..	..	1 [d]	20	−9	..	..	..
Household sewing machines	Production	110	35	22	526	10	16	..	..	..	430	5	2
	Exports	..	..	..	126	5	14	12	44	13	143	15	−4
Electric shavers	Production	934	67	2	881 [d]	100	33	..	..	..	..	..	..
	Exports	472	169	−23	300 [d]	120	49	70 [d]	12	30	..	..	..
Portable typewriters	Production	95	25	8	513 [e]	26 [e]	13 [e]	..	..	..	135	38	21
	Exports	43	33	20	170 [e]	38 [e]	33 [e]	6	62	−29	103 [e]	80 [e]	40 [e]

Sources : See Appendix C.

NOTE. — Data for 1954 refer to the whole year, whereas for 1955 they refer to as many months as are available, normally 9-12 months.

[a] Data cover 53 weeks.

[b] Excluding bicycles with auxiliary motors.

[c] Including television sets and record players.

[d] Export figures are derived from original data in tons by applying estimated weight per unit; the percentage increases for both production and exports are based on tonnage figures.

[e] All typewriters.

ducers suffered a reduction in their exports to overseas markets. Since imports remained constant or even increased, the percentage decline in net exports was considerable. The efforts of textile industries losing markets overseas to secure compensation in the liberalized markets inside Europe increased the difficulties facing the home-market-oriented textile industries in the Scandinavian countries and Greece. The result was that textile production in these countries also fell: Sweden reacted by raising textile tariffs, and similar action is being contemplated in Denmark. The textile industries of western Germany, Austria, the Netherlands and, it seems, Switzerland, did better than those of other countries, partly because of the predominant orientation of exports from these countries towards European markets and partly because of a very favourable development of internal consumption. Nevertheless the rate of increase in production in both the Netherlands and Austria declined sharply from 1954 to 1955 as a result of the marked fall in net exports.

The particular difficulties of the textiles market, and the weakness of demand for other products also in most overseas countries, were, of course, more serious handicaps for the United Kingdom than for western Germany, where exports are much less concentrated on overseas markets and on textiles. Even when the export performance of European countries is compared for the same group of products in the same markets, however, there appears to have been a pronounced tendency for the United Kingdom to lose ground to other countries, and in particular to western Germany.[23] There can be no doubt that the pull of the British home market contributed to this development, at least as concerns consumers' durable goods. Table 17 shows that between 1954 and 1955, British exports of nearly all of the more important types of consumer durables for which information is available either declined or increased much less than in the previous year: for most of them the share of production exported in 1955 was smaller than in 1954. By contrast, the much higher 1954 rate of increase of western German exports was better sustained in 1955, and in most cases the share of exports in production increased.[24]

The development of British production of consumer durables revealed by the table is rather puzzling. In 1954, the expansion of production had exceeded 40 per cent for nearly half of the products in the table and 25 per cent for nearly all of the others. In 1955, only production of television sets rose by more than 25 per cent and output of half of the products in the table increased by less than 10 per cent. It is pertinent to pose the question whether such a uniform and abrupt change can be due to shortages on the supply side alone. It seems probable that fears of the effects on the home market of restrictions on hire purchase sales, together with lack of confidence in their own competitiveness in export markets, may have induced some industrialists to be cautious about further expansion of production.[25] This is clearly the case in the motor car industry, where it has been impossible for some of the producers to find compensation elsewhere for the losses imposed by restrictions in important overseas markets. The significance of the unfavourable behaviour of British exports in this particular field should not, however, be over-stated. Many of the commodity groups such as chemicals and many types of machinery did very well in export markets, and the decline in the over-all share of exports in British production was relatively slight.[26]

5. DIVERGENT MOVEMENTS IN BALANCES OF PAYMENTS

Changes in western Europe's balance of payments with overseas countries

The changes in the value and geographical distribution of western Europe's foreign trade, which have been described in the previous section, caused considerable changes in the trade balance of western Europe with overseas countries. With the much more rapid increase in imports from, than in exports to, the dollar area, the trade deficit with this area nearly doubled between the first nine months of 1954 and the corresponding period of 1955, while the deficit with other overseas countries remained virtually unchanged.

Trade balance of 19 western European countries
Exports f.o.b., imports c.i.f.

	January to September					
	1953	1954	1955	1953	1954	1955
	Billions of current dollars			*Imports as percentage of exports*		
With dollar area . .	−1.4	−1.5	−2.7	154	164	200
With non-dollar overseas areas .	−2.1	−1.8	−1.9	133	125	125
With all overseas areas	−3.5	−3.3	−4.6	139	135	145

It should be noted that the figures in the table over-state both the absolute levels of the trade deficit and its increase because they have been calculated as differences between f.o.b. values of exports and c.i.f. values of imports.[27] In fact, western Europe's balance of payments on goods and services account with the non-dollar countries has improved between 1954 and 1955, since increased earnings from transportation have certainly much more than offset the slight widening of the trade gap.

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[23] See *Economic Bulletin for Europe*, Vol. 7, No. 3, November 1955, pp. 6-9.

[24] The information available for France and Italy is very incomplete, but as far as it goes it gives a considerably more favourable impression of Italian exports than of French.

[25] The credit restrictions may, of course, also have played a role, although they were meant to be administered in a way that would not hamper production of exportable goods.

[26] See footnote 4.

Owing to the high and still rising level of extraordinary dollar receipts from the United States, especially United States defence expenditure, the deterioration in western Europe's trade balance did not cause any drain on gold and dollar reserves, but only a slowing down of the rate at which they had been growing in recent years.[28]

Expenditure in western Europe

	Millions of current dollars *1953*	 *1954*	 *1955*
United States military expenditure	859	1 280	1 415
Off-shore purchases	311	565	668
United States economic aid (grants only)	1 138	1 000	840 [a]
Total	2 308	2 845	2 923

[a] Annual rate in first nine months.

The magnitude of the receipts, and the recent trend, can be seen from the figures above. Total United States military spending in western Europe and economic aid in the form of grants, amounted in 1955 to about $3 billion. This implies that nearly one-half of western Europe's dollar supply from current commercial transactions and donations was derived from those sources. Most of the increase in extraordinary dollar receipts between 1954 and 1955, however, benefited France and Italy, which had undertaken relatively little dollar import liberalization, and whose gold and dollar reserves increased very sharply during the year.

TABLE 18

Changes in the balance of payments of selected western European countries

Signs indicate the direction of change:

↑ small improvement	↑↑ large improvement
↓ small deterioration	↓↓ large deterioration

— insignificant change

	Change in trade balance: 1954 to 1955	Change in goods and services balance: 1954 to 1955	Change in foreign exchange reserves during 1955
Countries in deficit on goods and services account in 1955 :			
United Kingdom	↓↓	↓↓	↓↓
Denmark	↑↑	↑↑	↓
Norway	↓	↑	↑
Sweden	↓↓	↓↓	—
Austria	↓↓	↓↓	↓
Italy	—	—	↑↑
Greece	↓	—	↑
Countries in surplus on goods and services account in 1955 :			
Finland	↓	↑	↑
Western Germany	↓↓	↓↓	↑↑
Switzerland	↓↓	..	↑
Netherlands	↓	↑	—
Belgium-Luxembourg	↑↑	..	↑
France	↑↑	↑↑	↑↑

NOTE. — Data for trade balances and for goods and services accounts refer to as many months as are available for 1955 compared with the corresponding period of 1954 (imports c.i.f., exports f.o.b. for trade balances). Changes in foreign exchange reserves have been computed from official central bank statistics, and therefore in almost all cases exclude changes in foreign exchange holdings of commercial banks.

The balance-of-payments positions of individual countries

It was mentioned in the first section of this chapter that imports rose much more than exports in most countries of western Europe from 1954 to 1955, but that the opposite was the case in Denmark, Belgium, France and Italy. In the first three of these countries trade balances improved considerably, as can be seen from Table 18. For Italy, however, the favourable changes in the relative volumes of imports and exports were counteracted by adverse movements in terms of trade to such an extent that the trade deficit in 1955 remained about the same in value as in the previous year.

In the other western European countries the overall balances of trade deteriorated, but since a considerable part of this apparent deterioration—caused by

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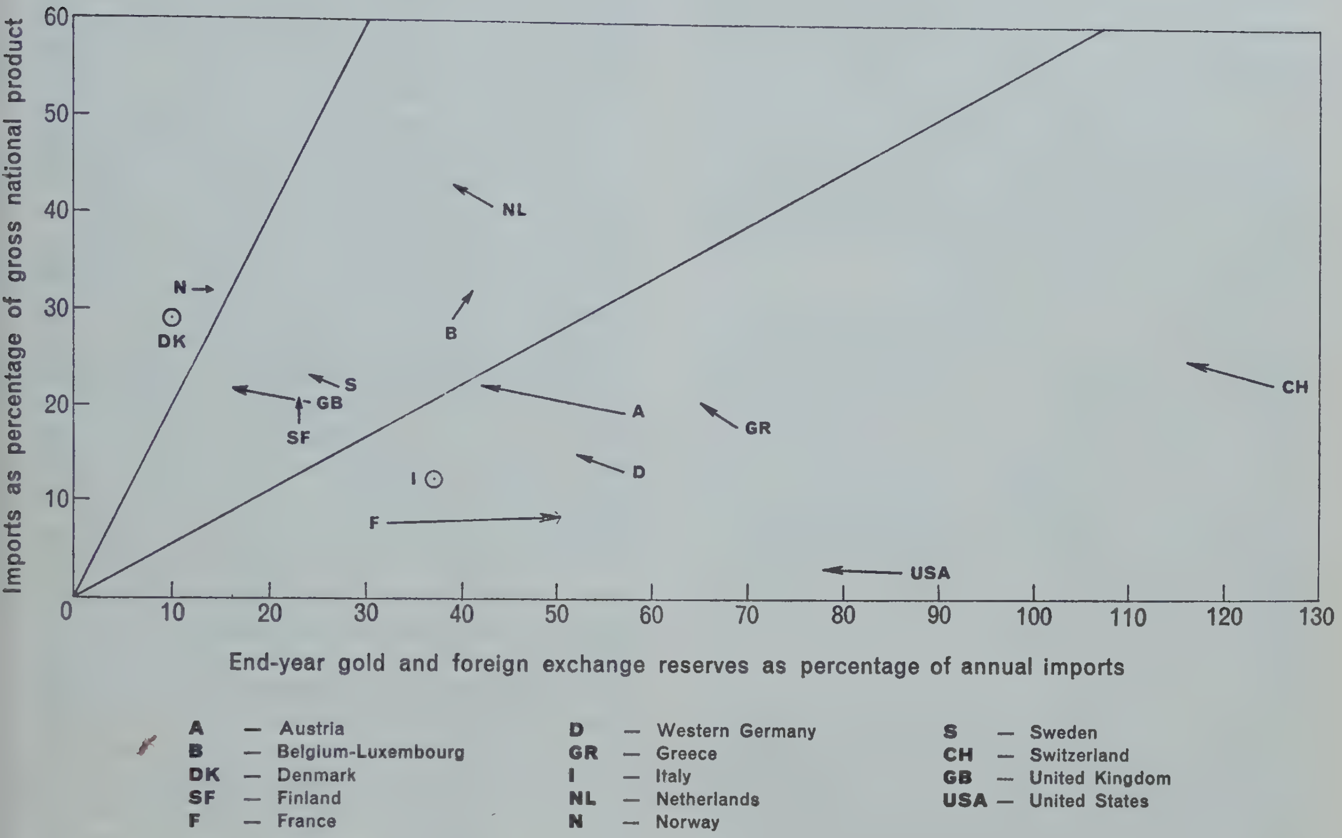
[27] The usual procedure of deducting 10 or 12 per cent from c.i.f. import values to convert them to an estimated f.o.b. basis would be misleading in a period in which freight rates changed rapidly while commodity prices remained fairly stable.

[28] As shown in Table I, additions to western Europe's gold and dollar assets through transactions with the United States amounted to $1.2 billion in January-September 1954 and $0.9 billion in the same period of 1955. It should be noted in passing that recently a much larger share of these additions (one-half in 1955) have consisted of purchases of long-term assets, rather than of gold or short-term dollar balances.

CHART 4

Relative importance of foreign trade and foreign exchange reserves in selected western European countries in 1954 and 1955



NOTE. — The data for imports into the United Kingdom, France and Belgium-Luxembourg refer to imports into the whole of their currency areas from outside sources, and reserves are also the reserves of the whole currency area. For gross national product, however, the figures used refer to the metropolitan country only, and the chart therefore gives a too unfavourable impression of the reserve position of these three currency areas.

The data for foreign exchange reserves refer generally to net gold and foreign exchange reserves of the Central Banks. Foreign exchange reserves of Denmark and Norway, however, are on a gross basis; net reserves are close to zero.

the increase in freight rates—was compensated by additional shipping earnings, balances on account of all goods and services showed a much less unfavourable development. About half of the western European countries had surpluses on goods and services accounts in 1955. Among them, western Germany seems to have been the only one where there was any significant fall in the surplus—a reduction that did not prevent a further marked rise in foreign exchange reserves. Even among the countries which had deficits on goods and services account in 1955 about half were able to increase their foreign exchange reserves; and only in three countries, the United Kingdom, Denmark and Austria, did reserves decline.

By and large, the balance-of-payments repercussions of the 1955 boom were not serious for any western European country except the United Kingdom. Among other countries which suffered a drain on foreign exchange reserves, Denmark brought the current balance of payments under control by a policy of internal austerity, in Austria the reserves were comfortably large, and in Sweden the drain was very small in amount.[29]

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[29] Swedish exchange reserves suffered considerably during the first half of the year from the pressure of increased import demand, but improved in the second half year. For the year as a whole there was practically no net change. In Denmark, a spasmodic recovery since June has brought the current account into balance. In Norway, the current deficit was slowly diminishing as internal credit restriction and investment controls have been taking hold. The most important corrective measures undertaken in Norway, however, have been restrictions on purchases of ships. Although these have not yet affected trade statistics (ship imports in the first ten months of 1955 were actually one-quarter above the corresponding period of 1954) they have diminished the need for advance and progress payments. At the same time, earnings from the existing shipping fleet have provided a significant benefit to the balance of payments; net earnings have risen from $187 million in the first nine months of 1954 to $238 million in the same period of 1955.

The adequacy of foreign exchange reserves has to be judged, not in terms of their absolute size, but against both the ratio of reserves to imports and the importance of imports in the economy. In Chart 4 an attempt has been made to indicate for thirteen western European countries the recent movement of reserves, in relation to imports and to the share of imports in gross national product. The ratio of imports to the gross national product of each country is shown on the vertical axis, while the horizontal axis shows the ratio of foreign exchange reserves to imports. The direction of the arrows indicates the changes that took place from 1954 to 1955.[30]

Since imports into a number of the countries included in the chart rose significantly from 1954 to 1955, both in absolute terms and as a share of gross national product, there are more arrows pointing from the lower right hand corner to the upper left hand corner (i.e. indicating a deterioration in the reserve position) than there are countries with declining reserves in the last column of Table 18. Nevertheless the chart shows very clearly that the United Kingdom and Austria were the only countries where the deterioration in the reserves position in 1955 was of major dimensions.

As can be seen, the countries in the chart fall into three fairly distinct groups, which have been separated by sector lines drawn somewhat arbitrarily. The positions of Denmark and Norway appear to be extremely exposed. Not only is the importance of foreign trade in the internal economy of these countries greater than nearly everywhere else, but the present level of their foreign exchange reserves—under one-fifth of annual imports—is lower than elsewhere. In fact, the reserves of these two countries are even smaller than appears, since the figures shown are gross foreign exchange assets. If corresponding liabilities (mainly debts to the EPU) were also taken into account, the Danish reserves would be negative and those of Norway close to zero.

The middle sector in Chart 4 comprises a group of countries where it could be expected that the repercussions of internal expansion on the foreign balance would be less sharp and dramatic, but nevertheless important. This group, where ratios of imports to the gross national product are very similar to the ratios of reserves to imports, includes the United Kingdom, Sweden, Finland, Belgium and the Netherlands. The last two countries are more dependent on foreign trade than are other European countries, but they also have very large reserves. The position of the United Kingdom is less secure because speculative movements of short-term capital have a considerable effect on its reserves.[31]

In the third group of countries in the chart, foreign trade is generally small in relation to the national product, while foreign exchange reserves cover five months' imports or more. Some of these countries —western Germany, Austria and Switzerland—could very well afford the deterioration which took place in their foreign balances. In western Germany this, in fact, resulted from deliberate measures intended to keep prices down and to reduce inflationary pressures arising from the previous large export surpluses. The other countries in the group—France, Italy and Greece—could also afford some worsening of their balances of payments if internal price stability should require this. Owing to the small share of foreign trade in the national economies of France and Italy, the multiplier effects of their increased exports have not been sufficiently strong to produce pressures on resources in these countries of the same strength as in other western European countries.[32] In France, the emphasis of policies directly affecting the balance of payments has been on creating greater confidence in the currency; and the big improvement in foreign exchange reserves did not lead to further liberalization until the beginning of 1956.[33] There has, however, been considerable advance repayment of foreign debt, and over $300 million was repaid in 1955 alone. To some extent these repayments represent a transfer of foreign assets into another form because certain rights to draw on international credits are automatically reconstituted for later use.[34] It would therefore seem that, so far as the external position is concerned, the possibilities for putting into effect a programme to overcome the structural weaknesses of the French economy are exceptionally favourable at present.[35]

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[30] End-of-year data for reserves.

[31] See, however, the note to Chart 4. This explains that, by not including the gross national product of the outer sterling area in the calculations on which the chart is based, an unduly unfavourable impression is given of the United Kingdom's position.

[32] It was shown earlier in this chapter that only in these two countries and Belgium did industrial employment fail to increase significantly during the upswing.

[33] The percentage of liberalization of imports from other OEEC countries was raised from 77½ per cent to 79 per cent at the beginning of 1956 and about 11 per cent of dollar imports were liberalized.

[34] At the end of 1955, the gold reserve of the Bank of France was increased by one-half, or $286 million. This sum was transferred from the reserves of the Exchange Stabilization Fund (the exact size of which is unknown).

[35] This does not mean that no restraint of consumption would be necessary if the rate of investment were to be substantially increased. For further discussion of this point, see Chapter 3, Section 5. The structural problems of the French economy were discussed in detail in the SURVEY of 1954, Chapter 7.

6. THE DILEMMA OF WESTERN EUROPEAN IMPORT POLICY

It was stressed above that, owing to the shifts which have taken place in the pattern of imports into western Europe, the short-term prospects for the demand for European exports do not look very promising. The disinflationary policy in the United Kingdom is, from this particular point of view,[36] likely to aggravate the situation. It is extremely important, therefore, that the steady inflow of dollars into western Europe from military transactions and economic aid should not be sterilized by accumulation of currency holdings in those countries which are already in very favourable balance-of-payments positions. If, instead, they follow policies that encourage imports, and engage in active policies of foreign lending, the general structure of trade will be strengthened.

The long-term prospect suggested by the experience of the last three years is, however, of much more far-reaching importance to the western European economy than the short-term problem of securing a continued expansion of exports in the immediate future. The growth of economic activity has, as already mentioned, caused relatively little increase in demand for imports from most overseas sources and none at all for imports of agricultural products. The majority of overseas countries, therefore, have experienced no improvement either in their terms of trade or in their total export earnings.

In the early post-war years it was generally assumed that a basic change had taken place in the balance between demand and supply for food and raw materials, and that the inter-war period of surpluses would be followed by a long period of relative shortage of primary products with improving terms of trade for the under-developed countries. In recent years it has become apparent that the expectations of permanent shortages were wrong, at least in relation to agricultural products; and it would seem that developments in 1955 must have finally buried the hopes—or dissipated the fears—of a relative increase in food prices in terms of industrial manufactures. It has been proved that even a pronounced boom in Europe coinciding with rising industrial production in the United States can be accompanied by declining prices for most agricultural products. One reason why the earlier view has proved to be wrong is that the substitution of synthetic for agricultural raw materials in non-food industries has become of much greater importance than was foreseen at the end of the war. Another factor that was under-estimated was the effect of technical progress on agricultural production, both in Europe and elsewhere. Protection of domestic agriculture in Europe and in other countries has also been a factor of some importance.

Agricultural production may well grow still more rapidly in the future when recent scientific progress reaches the stage of large-scale application; and the substitution of industrial for natural raw materials is also likely to continue. It seems probable, therefore, that developments in technology will continue to reduce the dependence of western Europe on outside supplies. This poses a grave problem, to which there would seem to be two alternative solutions.

One is that the western European economy, taken as a whole, may move towards a pattern similar to that of the United States, with imports from outside the area declining in relation to growing home production. The result would be that, at the same time as western Europe's export capacity was increasing, the growth of its exports would slow down, or even be reversed, unless supported by capital exports which would sooner or later tend to take the form of grants. Such a process of readjustment would necessarily be very painful. It would, at the least, involve increasingly strong competition on export markets and the risk of considerable instability of export prices. It would also favour the further development of preferential bilateral trading arrangements under which individual countries would seek to use the bargaining power of their imports in particular instances to secure a privileged position for their exports.

Another solution can be found on condition that western European countries are willing to revise their traditional import policy. In spite of the relaxation of quantitative restrictions and the lowering of tariffs which has taken place, large parts of western Europe still display a protectionist attitude to imports of products with a high labour content from overseas countries with lower living standards and lower labour costs. That this is the case for agricultural products is well known, and that it is the case also for industrial manufactures was clearly expressed during the debate in the GATT, in the autumn of 1955, on the admission of Japan to the organization. A number of European countries, including the United Kingdom, France and the Benelux countries, refused to apply the terms of the Agreement to their trade relations with Japan, some of them directly referring to the low level of wages in that country. Among the European countries which did not object, some appear to count on applying the rules of the GATT so as, incidentally, to lessen Japanese competition in their markets by means of quantitative import restrictions.

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[36] The internal aspects of the current situation in the United Kingdom are discussed in Chapter 3.

Hitherto Japan has been the unique case of a low-wage country exporting mainly industrial manufactures; but, with increasing industrialization in overseas countries, it can be foreseen that many of them will try to obtain compensation for the increasing difficulties in selling many basic materials by developing exports of industrial manufactures of the fairly labour-intensive sort for which they are in a particularly strong competitive position.

The policy of keeping foodstuffs and industrial manufactures of a labour-intensive nature out of European markets dates from the period of depression in the 'thirties when the attempt was made to overcome unemployment, not by increasing the demand for commodities and labour, but by reducing the supplies. It is shown in a later chapter of this SURVEY [37] that many of the restrictive attitudes to domestic questions dating from this period still survive, and influence economic policy even in countries where industrial unemployment has been virtually non-existent for the last 15 years. The attitude taken towards imports of products with a high labour content from low-wage countries is one more example of such a survival of restrictive attitudes, which become meaningless in a period where the main concern is with labour shortages and the danger of wage inflation. One of the ways to counter labour shortages and wage inflation [38] is to induce a transfer of highly paid European labour to capital-intensive production with high labour productivity; and it is paradoxical that outdated restrictive attitudes towards cheap imports should, via their effects on the purchasing power of overseas countries, become a hindrance to the expansion of exactly that type of exports and production.

There has been little public discussion in western Europe of the questions of principle involved in the decisions concerning Japan which were recently taken in the GATT. Both employers and workers in western Europe, as well as their governments, are naturally conscious of their short-term interest in avoiding painful readjustments to new and efficient competition. There is thus a tendency to overlook the long-term advantages of free imports and international specialization, which are so frequently invoked when the question is one of gaining entry for European products into the United States market against barriers based on the same arguments against cheap labour as have been used by European countries in relation to Japan. The way to integrate the western European economy into world trade in the coming age of consumer durables and synthetics is to take advantage of the fact that labour can be bought more cheaply outside Europe than in Europe. It should therefore be possible, with advantage to both sides, to devise a policy of gradual transfer of European labour to industries in which productivity is high and rising. Only such industries can meet the demands of European workers for steadily increasing living standards without needing the help of protective devices which reduce the real income of the economy as a whole.

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[37] See Chapter 5.

[38] A general discussion of these problems is found in Chapters 3 and 5 of this SURVEY.

Chapter 2

INTRODUCTION TO THE INVESTMENT PROBLEMS OF WESTERN EUROPE

1. Basic considerations

The desirability of investment

The main reasons why it is thought to be desirable for a country to accumulate capital resources are briefly set forth below. They are generally regarded as adding up to a strong case for the application to investment of a fairly high proportion of a country's output. Such investment has to cover both the improvement of dwelling accommodation, of the social services and the like, and the expansion and improvement of productive equipment. It also has to cover any favourable balance of payments on current account, and any progressive increase of stocks, such as will be called for by a growing national product.

In this and the following two chapters it is assumed that in most countries of western Europe an immediately relevant question is what would be involved in securing an improvement on the existing rate of net investment, or, where the maintenance of the existing rate of investment gives rise to difficulties, what form the difficulties take and whether there are suitable ways of overcoming them. It should be emphasized at the outset that the question of the desirable rate of investment, and also the question of the desirable composition of investment, are entirely matters of degree. The factual data discussed in this chapter indicate how greatly the countries of western Europe differ from one another in the proportions of national product they devote to investment, and still more in the proportions allocated to particular forms of investment. The existing stock of capital per head varies widely between one country and another; and there are also very wide variations in the applicability of the various reasons for investment enumerated below. Finally, the attainment of a higher rate of investment would involve different degrees of current sacrifice —this depending, among other factors, on the extent of the pressure exercised by demand on productive resources and on the balance-of-payments position. In so far as current sacrifice is involved, the question which should be put is not only whether a higher rate of investment is desirable (or whether the maintenance of the existing rate of investment should be aimed at), but also whether, as a means of providing current alleviation, a lower rate of investment should be accepted. The decision in any country as to the right point of balance is a matter of judgement and not one calling for dogmatic statement.

The main considerations which may call for a high level of net investment are the following:

(1) If the population is increasing, it is necessary to make provision for an expanding stock of capital in the form of dwellings, social capital, productive equipment, stocks of commodities and other kinds of physical assets. This reason for investment applies with particular force, among western European countries, to Italy, Greece, the Netherlands and Finland,[1] and it has over the past few years applied with great force to western Germany. If the growth of population has already produced a surplus of manpower, over and above what can be employed with the existing physical capacity, the immediate need for a high rate of investment is particularly acute.

(2) Technical progress is in one sense an alternative to the accumulation of capital, as a means of securing a progressive rise of productivity and of the standard of living.[2] But technical progress is often of such a character that, if left to itself, it will result in the development of structural unemployment. The case for investment then again arises as a means of avoiding unemployment of this type.

(3) A country may be faced with heavy arrears of maintenance and new capital formation. These arrears may be widespread, as after a war, or they may be concentrated on particular sectors, such as in the provision of dwelling accommodation and of the social services, or in the provision of basic services which are essential for industrial expansion. Very often these deficiencies are localized and are bound up with

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[1] See Table 57.

[2] As indicated under (9), technical progress to take place effectively requires a high level of investment.

regional disparities in employment levels and standards of living.[3]

(4) Net investment, after it has covered the requirements of a growing population, provides, together with technical advancement, the basis for a progressive improvement in the standard of living. In an economy in which productive resources are being fully utilized, this prospective future improvement is in a sense secured at the expense of a current sacrifice. It is then a matter of weighing one against the other. Various interests are involved, but the main issue relates to the standard of living of the wage-earners. From the short-term point of view, an increase in the rate of accumulation of capital, at a time of full employment of productive resources, involves a current sacrifice either in terms of lower real wage-rates or in terms of increased restraints on consumption imposed through personal thrift or taxation (the use of fiscal methods may also serve to redistribute the burden between different classes of the community). This sacrifice has to be set against a more rapid improvement in standards of living over the years to come. The question of balance which is involved is discussed in the following chapter.[4]

(5) The idea of a progressively rising standard of living is one which is derived partly from convention and not entirely from balancing future gain against current sacrifice. This idea is international in its scope, and it would be very difficult for any one country in isolation to avoid its implications.

(6) Money wage rates tend to rise over the course of years and the rise is not very directly geared to the rise of productivity. If a country's productivity lags behind that of its competitors and customers, it tends to experience a relative increase in its money costs of production and consequent difficulties with its balance of payments. There are grave objections to resorting too frequently to exchange depreciation as a means of restoring the competitive balance, and a higher rate of investment may avert the need for this. However, unless restraint on consumption exercised by personal thrift or taxation is intensified, a higher rate of investment entails a stronger demand for labour, which is likely to show itself in a rather more rapid rise of money wages. Although this tendency is often exaggerated [5] it does point to a possible conflict of motives.[6]

(7) In the process of development of the world economy the relative prices of different commodities are altered as a result of changes in relative costs of production and of shifts in pressure of demands on scarce resources. In certain phases the terms of trade of manufacturing countries, or of countries specialized in a particular type of manufacturing, may be turned against them as a result of technical progress and the more intensive use of capital elsewhere in the industries on which these countries rely for their exports. This adverse movement in the terms of trade represents an offset to the favourable effect on the standard of living of growing productivity. Normally it will be an offset which is no more than partial, and standards of living will rise progressively in spite of the adverse movement in the terms of trade; but, to secure a given rise in the standard of living, a larger growth of productivity, and therefore a larger amount of investment, is needed on account of this offset.

(8) If a manufacturing country is to retain its position in world markets, frequent innovation is necessary in terms both of products and of processes. If capital equipment is being extensively added to and not merely replaced, technical change of this kind is facilitated.

(9) The same line of thought applies more generally, irrespective of international competition. Although, as has been stated, technical progress is in one sense an alternative to capital accumulation, greater advantage of it will be taken in an economy in which expansion is fairly rapid. Furthermore, in such an economy structural adaptation to economic changes takes place much more easily and more rapidly.

(10) When utilization of productive resources, in terms of both physical capacity and manpower, is imperfect, there is no longer any question of a higher rate of investment involving current sacrifice (although measures may be necessary to safeguard the balance of payments). Under such conditions an increase in the rate of investment is desirable not only for the reasons here enumerated, but on account of the additional activity, employment and consumption which will result from it.

(11) Finally, investment may partly take the form of a surplus of exports (visible and invisible) over imports. It is often desirable to build up a balance of payments and a position in world markets sufficiently favourable to allow some margin for adjustment to changes without resort to emergency measures. A favourable balance may be used for profitable foreign investment, or some countries may reasonably aim to strengthen their monetary reserves against future contingencies. There is also a case for building up balance-of-payments surpluses to finance aid (either loans or grants) for the development of poorer countries.

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[3] See *Economic Survey of Europe in 1954*, Chapter 6.

[4] See Chapter 3, Sections 1 and 2.

[5] See Chapter 5, Section 7.

[6] Cf. E. Devons, in an article which is devoted to a critical discussion of most of the reasons for investment enumerated in the text (" The case for investment and productivity ", *Lloyds Bank Review*, London, October 1955).

The scope of the study

This chapter and the two which follow are devoted to the problems involved in maintaining a high level of investment in western Europe. They are particularly concerned with the operations of predominantly private-enterprise economies. In this chapter the course of investment in recent years is reviewed, and some account is given of the physical limitations to economic activity and of the nature of the various claims on productive resources. Chapter 3 is concerned with the questions of economic policy involved in the problem of maintaining or increasing investment. Chapter 4 is devoted to a study of the manner in which private investment is financed, and is concerned with the question how far difficulties of finance themselves constitute an impediment to investment.

2. THE DEVELOPMENT OF INVESTMENT AND ITS COMPONENTS SINCE 1950

In most western European countries the ratio of gross fixed investment to gross national product has been higher since the war than it was before. Chart 5 indicates for a number of these countries changes in the period 1950 to 1954 in the per capita volume of gross fixed investment and of gross national product as measured by index numbers based on 1938.[7] The chart does not show the ratio of investment to national product but the manner in which the ratio has altered. For Denmark and the Netherlands the increase since before the war of the ratio of fixed investment to national product has been particularly large. The only country for which it has fallen is the United Kingdom, where, during the entire post-war period, a smaller share of national product has been devoted to investment than in 1938.

In the earlier post-war years high rates of investment resulted in many countries from the special requirements of reconstruction and rehabilitation and of development of basic industries, and were often financed by economic aid or loans received mainly from the United States. During this period various forms of direct control over investment activity were operated in most western European countries. The object was not only to moderate scarcities, especially of raw materials, but also to channel investment to those sectors which called for priority.

By 1950 most western European countries had reached—and some had greatly surpassed—the pre-war volume of the gross national product, as well as of gross fixed investment.[8] In many of them the increase in the gross national product between 1950 and 1954 was slowing down.[9] On the other hand, in some of the countries where the reconstruction of capital equipment had not, in 1950, caught up with the combined effects of war destruction, war-time arrears of maintenance and replacement, and population increases, progress in the more recent years was more rapid. This was particularly so in western Germany and Italy.

Changes in the rate of gross fixed investment

The development in the period 1950 to 1954[10] of gross national product and its major components is shown for most of the western European countries in Tables 29-42 at the end of this chapter. Chart 6, which also includes the United States, shows the proportionate volume changes on a gross basis[11] (represented by index numbers) of national product and total fixed investment, and also of fixed productive investment and fixed industrial investment. Partly for statistical reasons, the last two categories have to be defined very broadly, without a completely logical distinction between them and other types of investment. " Productive investment " is here considered as total investment apart from the construction of dwellings and investment in the public administration sector. Thus it excludes the construction of roads,

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[7] The chart is constructed in such a way that any year in which the two quantities have increased since 1938 in the same proportion would be represented by a point lying on the straight line bisecting the angle between the two axes, and that two points on any line parallel to this one indicate equal proportionate changes between the years to which they refer.

[8] According to the OEEC *Bulletin of General Statistics* (November 1955), the volume of the gross national product of the combined OEEC member countries in 1950 was 15 per cent, and on a per capita basis 4 per cent, above the 1938 level. (If allowance is made for a drop in national product from 1937 to 1938 it may be correct to say that western Europe's per capita national product had by 1950 just reached the immediate pre-war peak.) According to the same source, the increase in the rate of gross investment (including stock changes) between 1938 and 1950 was in terms of total volume 28 per cent, and on a per capita basis, 15 per cent.

[9] According to the same OEEC source, the per capita increase in the gross national product for the combined member countries averaged about 7 per cent per annum between 1947 and 1950 but fell to an annual rate of less than 4 per cent during the period 1950–1954. Corresponding annual rates of change for gross fixed investment might be estimated at 9 per cent, and slightly over 4 per cent, respectively.

[10] In a few cases provisional figures have been included for 1955. Developments in 1955 have been discussed in Chapter I and are referred to below.

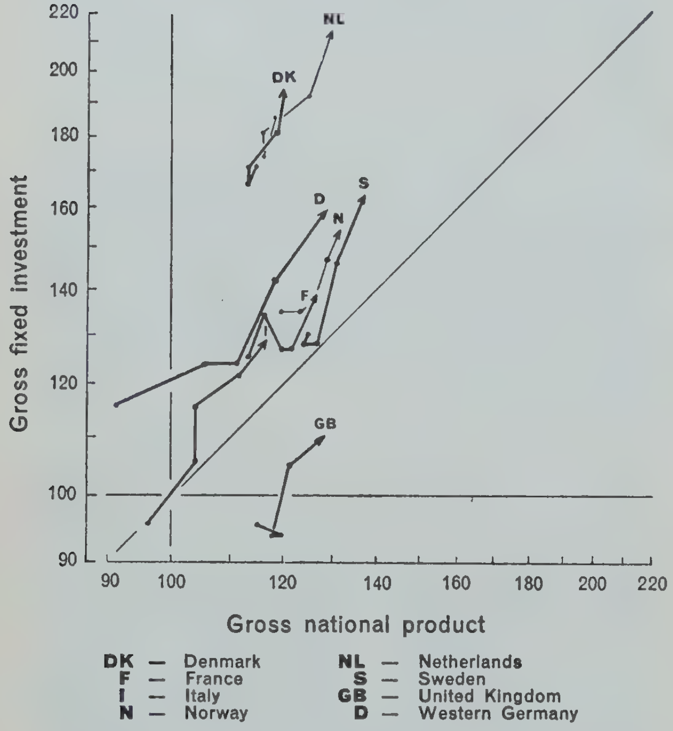
[11] i.e., before deduction of depreciation, but excluding repair and maintenance, for all countries with the exception of France. (See note to Table 33.)

CHART 5

Change in relationship between gross national product and gross fixed investment 1938 to 1954

Indices of volume per capita : 1938 = 100

Double-logarithmic scale



NOTE. — The line for each country connects a series of points for the successive years 1950 to 1954. An arrowhead picks out the point for 1954. Each point shows the gross national product and gross fixed investment for the year in question.

Sources : See Appendix C.

which are partially productive in the relevant sense, while it includes investment in transport and communications and in electricity, gas and waterworks, which, as is emphasized below, is aimed partly at serving direct domestic requirements and to that extent is not in the relevant sense productive. Industrial investment, which forms part of the broader category of productive investment, is defined as investment in the mining, manufacturing and construction industries.[12] Productive investment and industrial investment are singled out for special attention because they are, in a very specific sense, indispensable to the expansion of capacity for the production of material things. It must be recognized, of course, that they may include elements not strictly relevant from this point of view (such as over-elaborate offices for company officials) and that, on the other hand, the construction of schools, hospitals and dwellings is up to a point essential from either a social or an economic point of view. Indeed, shortage of capital assets of this latter type may, on occasion, constitute a real bottleneck for the effective expansion of productive capacity.

The significance of the movements shown in Chart 6 must be judged in relation to the size and composition of gross investment, on which data are given in Table 19 (summarizing the details in Tables 29-42 at the end of this chapter). The countries which during the period 1950–1954 were investing in fixed capital at relatively high rates, as a percentage of gross national product,[13] were Norway, well in the lead, and Finland. There follows a group of countries with a ratio of gross fixed investment to gross national product in the neighbourhood of 20 per cent. The members of this intermediate group are Austria, Denmark, western Germany, Italy, the Netherlands and Sweden. For the members of the remaining group —Belgium, France, Greece, Portugal, Turkey and the United Kingdom—the ratio of gross fixed investment to gross national product was much lower, averaging less than 15 per cent over the period.[14]

Most countries either maintained or increased their rate of investment during the period 1950-1954, not only in absolute terms, but also in relation to gross national product, which was also generally rising. Particularly large increases both in fixed capital formation and in national product, as well as in the ratio of the first to the second, were registered in Italy. Western Germany showed an even faster, and roughly

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[12] Investment in the construction industries—a relatively small item—does not of course include construction itself, which is an extremely large item.

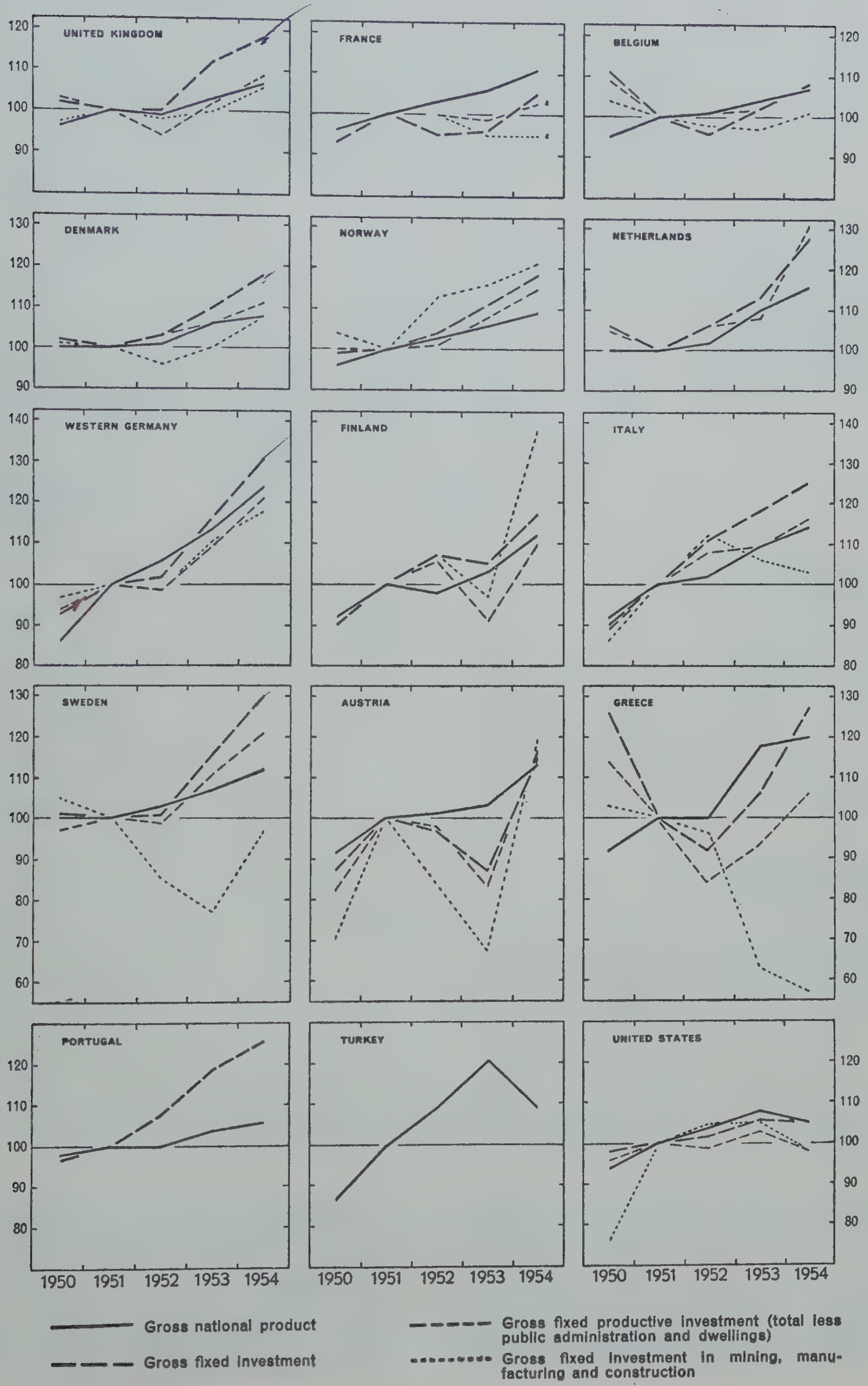
[13] The average rates of gross fixed investment, as a percentage of gross national product, during the period 1950–1954 can be calculated from Tables 29-42 as follows: Norway, 30; Finland, 25; Austria, 20; Denmark, 17; western Germany, 21; Italy, 19; the Netherlands, 20; Sweden, 19; Belgium, 14; France, 17; Greece, 14; Portugal, 13; Turkey, 12; United Kingdom, 14. For France the ratio of gross fixed investment to gross national product is probably about 14 per cent if repairs and maintenance are excluded (see note to Table 33).

[14] The ratios cited are the relevant ones for the purpose of indicating the amount of resources devoted to the maintenance and expansion of the domestic stock of fixed capital in relation to existing levels of national product. To measure the relative investment effort involved, however, it would be necessary to consider (in addition to other things, such as the relative level of per capita income) the surplus or deficit on the balance of payments as well as changes in stocks. On this basis, the ratios for Norway, Italy and Greece, for instance, would be considerably reduced, since these countries were all receiving substantial foreign aid during the period as reflected in their deficits on current account. On the other hand, the ratios for Finland and western Germany would be appreciably higher, since both were running balance-of-payments surpluses and, in western Germany, stocks were also being rapidly increased. Similarly, the ratio would be somewhat higher for the United Kingdom, which had a small surplus on current account and some stock accumulation over the period.

CHART 6

Gross national product and gross fixed investment in selected western European countries and the United States

Index numbers of volume : 1951 = 100



Source : Tables 29-42.

a 1952 = 100.

Yearly changes and average distribution of th

Sector	Change from 1950 to 1951	1951 to 1952	1952 to 1953	1953 to 1954	1950 to 1954 [b]	Average distribution 1950 to 1954 [c]	Change from 1950 to 1951	1951 to 1952	1952 to 1953	1953 to 1954	1950 to 1954
	Austria						**Belgium**				
Agriculture, forestry and fishing . . .	+6	+44	−15	+9	+41	13	+13	−4	—	—	+9
Mining, manufacturing and construction	+42	−16	−21	+79	+70	32	−4 [d]	−2 [d]	−1 [d]	+5 [d]	−3 [d]
Trade and other services	. .	. .	. .	. .	. .	. .	−19	+9	+7	+7	+2
Transport and communications . . .	+17	—	−5	+15	+28	13					
Electricity, gas- and waterworks . . .	−6	−6	−13	+15	−12	10	. .	. .	. .	. .	. .
Public administration	−4	−14	−5	−6	−26	12	−1	−16	+6	−5	−16
Dwellings	+7	—	+7	+25	+43	20	+6	+5	−1	+11	+21
Total	+15	−3	−10	+31	+31	100	−10	−4	+7	+5	−3
	France						**Western Germany**				
Agriculture, forestry and fishing . . .	. .	. .	+2	+6	+14	10	+7	−10	+2	+12	+10
Mining, manufacturing and construction	. .	. .	−5	—	−1	24	+4	−1	+12	+7	+23
Trade and other services	. .	. .	+7	+8	+14	6	+13	−5	+19	+12	+43
Transport and communications . . .	. .	. .	+7	+8	+25	16	—	−3	+14	+19	+32
Electricity, gas- and waterworks . . .	. .	. .	−12	+4	−1	9	+16	+13	+11	+7	+56
Public administration	. .	. .	+5	+15	+34	11	−2	+2	+23	+4	+28
Dwellings	+28	+9	+6	+19	+46	24	+15	+11	+23	+19	+87
Total	+7	−4	+1	+9	+19	100	+8	+2	+15	+12	+41
	Netherlands						**Norway**				
Agriculture, forestry and fishing . . .	−4	+6	+1	+22	+125	71	+17	−7	−4	+10	+15
Mining, manufacturing and construction							−4	+13	+2	+4	+16
Trade and other services							+16	+17	+3	+23	+71
Transport and communications . . .							−6	−6	+13	+6	+6
Electricity, gas- and waterworks . . .							—	+4	+4	−2	+6
Public administration	−10	—	+56	−21	+10	11	−3	+6	+18	+13	+37
Dwellings	−6	+6	+6	+6	+12	18	+6	+14	+7	−2	+26
Total	−5	+6	+7	+13	+22	100	+1	+4	+7	+6	+18

Source : See Tables 29 to 42.
Derived from national statistics.

[b] Increases from 1951 to 1954 for Finland and from 1952 to 1955 for France. From 1950 to 1954, total fixed investment increased by 30 per cent for Finland and by 12 per cent for France.

proportionate, rise in fixed investment and in national product.[15] Some of the countries, including the United Kingdom, in which the share of fixed investment in national product was low, succeeded in reaching moderately higher ratios by the end of the period, but there were two outstanding exceptions. Both in Greece and in Belgium fixed investment fell in relation to national product. In Belgium it fell even in absolute terms, and in Greece the volume was about the same in 1954 as in 1950. The national product nevertheless

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[15] The ratio fell very slightly, but this was not true of the ratio of total investment to national product, which rose considerably in line with changes in stocks and the increase in the balance-of-payments surplus.

f gross fixed investment by sectors 1950-1954

0 1	1951 to 1952	1952 to 1953	1953 to 1954	1950 to 1954	Average distribution 1950 to 1954	1950 to 1951	1951 to 1952	1952 to 1953	1953 to 1954	1950 to 1954 [b]	Average distribution 1950 to 1954 [c]	Sector
	Denmark					**Finland**						
3	+1	−11	+4	+6	14	..	+8	−6	+5	+6	13	Agriculture, forestry and fishing
1	−4	+4	+9	+8	27	..	+7 [d]	−10 [d]	+42 [d]	+38 [d]	26 [d]	Mining, manufacturing and construction
2	—	−2	+3	−1	7	..	−15	−37	+27	−32	7	Trade and other services
6	+15	+17	+5	+33	22	..	+17	−20	−5	−11	12	Transport and communications
7	−5	−2	−18	−29	5	..	..	..	..	..	..	Electricity, gas- and waterworks
4	+5	+30	+23	+63	9	..	+20	+29	−2	+52	15	Public administration
1	+4	+18	+12	+23	16	..	+4	+12	+1	+18	27	Dwellings
2	+3	+8	+7	+17	100	+11	+7	−2	+11	+17	100	Total
	Greece					**Italy**						
7	−36	+1	+14	−31	9	+36	−1	+14	+10	+68	13	Agriculture, forestry and fishing
3	−4	−34	−9	−45	19	+18	+12	−6	−2	+22	26	Mining, manufacturing and construction
1	+4	+27	−39	−21	20	+18	+2	−1	+11	+32	6	Trade and other services
3	−25	+44	+62	−17	13	−7	+12	+15	+9	+29	15	Transport and communications
4	−25	+54	+42	+444	10	+2	−6	−6	+20	+8	9	Electricity, gas- and waterworks
8	+441	+9	−47	−64	4	−3	+15	+21	−10	+23	11	Public administration
3	−4	+26	+39	+30	25	+10	+28	+9	+17	+79	20	Dwellings
1	−8	+16	+20	+1	100	+11	+11	+6	+6	+38	100	Total
	Sweden					**United Kingdom**						
2	−2	—	+5	−1	7	−6	−18	+4	+3	−18	4	Agriculture, forestry and fishing
5	−15	−10	+26	−7	23	+3	−2	+2	+5	+9	31	Mining, manufacturing and construction
2	−8	+80	+47	+138	2	−10	−16	+16	+14	—	8	Trade and other services
1	+2	+30	−1	+59	25	−13	−8	+26	+1	+2	12	Transport and communications
1	+41	+15	+1	+46	9	−1	−2	+9	+12	+19	12	Electricity, gas- and waterworks
3	+17	+29	+22	+79	10	+2	−4	+2	+4	+5	10	Public administration
0	+1	+18	+15	+24	24	+1	+22	+26	+1	+58	23	Dwellings
1	+1	+15	+12	+29	100	−2	—	+12	+5	+16	100	Total

rage distribution 1951 to 1954 for Finland and 1952 to 1955 for France.

[d] Including electricity, gas- and waterworks.

rose by nearly one-third in Greece between 1950 and 1954, but only by 12 per cent in Belgium.

As is to be expected, the yearly fluctuations in the volume of fixed investment have on the whole been much more marked than those in gross national product. The cyclical pattern associated with the Korean war and its termination was particularly pronounced in investment activity.[16]

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[16] Although the same basic international factors influenced the individual countries, differences in economic structure and policy tended to shift the investment peak between 1950 and 1951. There would probably be a higher degree of correspondence if quarterly or half-yearly data were available for use.

Most countries suffered an absolute decline in the rate of fixed investment in the course of 1951 and 1952,[17] though in Austria and Finland the low point was not reached until 1953. These set-backs in the rate of fixed investment were accompanied, except in France, by a simultaneous drop in the relative share in national product of private consumption.[18] The expansion of total public consumption, on the other hand, which has been considerable over the whole period, relatively as well as in absolute volume, was concentrated in the years 1951 and 1952. This mainly represents the growth of defence expenditure. The volume of public civil consumption showed no considerable increase during these years except in Austria, western Germany and Italy. Subsequently, the increase in private consumption has been roughly in line with the growth of the national product,[19] and the slowing down of the growth of defence expenditure has opened the way in several countries to some increase in public civil consumption.

After the decline or faltering in the progress of fixed investment, there started in 1953 a marked recovery and expansion. This expansion has continued into 1955 and even accelerated in the United Kingdom, western Germany and Italy. But, as has been shown in Chapter 1, in many other countries the rate of increase in fixed investment has recently slowed down. This slowing down has been partly due to limitations of manpower, physical capacity and materials and partly to the various measures taken to reduce the pressure on resources, which have been predominantly aimed at restraining investment.

Changes in the composition of gross fixed investment

Investment in the construction of dwellings and in the public administration sector—i.e., what has been defined as investment other than productive investment—accounts for a high proportion of total fixed investment: in most countries it accounts for about one-third, in Denmark and Norway for rather less and in Belgium and Finland for more. In most countries this share has increased throughout the period.[20]

The outstanding characteristic of the development of fixed investment has been the dominant role of construction of dwellings. The persistent growth of total fixed investment during the earlier part of the period in Italy, western Germany and Norway owes much to the fact that in these countries the construction of dwellings was already growing rapidly at the beginning of the period. Indeed, in western Germany nearly every other form of investment showed an absolute decline in 1952. In several other countries, too, there was a progressive growth of housing construction, and this partially offset the decline in productive investment which occurred in the years 1951 and 1952. On the other hand, in Denmark, Sweden and the Netherlands construction of dwellings fell sharply between 1950 and 1951 and showed only a modest recovery in 1952, and in Greece it continued to fall until 1953.

In all the countries except Norway, Finland and the United Kingdom, the construction of dwellings continued to expand in 1954, in most cases at a rapid rate. In Austria, Belgium, France, Greece and Italy there was actually a marked spurt in housing construction in 1954, but in the other countries as well (with the exception of Norway, Finland and the United Kingdom) the pressure of demand from this source continued to increase in 1954 just at a time when pressure on resources, both of the building industry and of the economy as a whole, was increasing heavily from all quarters. Though construction of dwellings has generally declined in 1955, it had got into its stride only at a time when it involved competition for resources—and for some countries very serious competition—with productive investment, the tempo of which is so much dependent on the mood of business men rather than on central decisions. Investment in the public administration sector in Denmark, Sweden and Norway also took up a considerable share of the increase in total fixed investment in 1953 and 1954.

Because of the prominent role played by investment in dwellings and in the public administration sector, fixed productive investment showed a much less pronounced increase over the period than total fixed investment, as may be seen by reference to Chart 6. For Belgium, France and the United Kingdom the change in the rate of productive fixed investment over the period as a whole was not appreciable, and for Greece there was an absolute fall. For nearly all these countries, however, there was a marked recovery in the rate of productive investment in 1954. While the recovery in total fixed investment in 1953 mainly took the form of an increase in housing construction and of higher investment in the public administration sector, the expansion in 1954, which was more directly geared to the improvement in the economic climate after the recovery in the United States, covered productive investment to a substantial degree, particularly in the mining, manufacturing and building industries. Exceptions to this pattern are Greece and Italy, where the rate of investment in these industries continued to fall in 1954.

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[17] The chief exceptions, among the countries with high or moderate investment rates, were Norway, western Germany and Italy, while Portugal, at a much lower level, also showed a continuous increase. In western Germany there was, even so, a marked levelling off, though no absolute decline, in fixed investment in 1952.

[18] It is true that the figures for Finland also show a relative increase in private consumption, but it is to be observed that Finland's consumption figures include changes in stocks.

[19] See also *World Economic Report 1953–54*, United Nations, p. 30.

[20] The composition of fixed investment, as well as changes in the main components over the period 1950–1954, may be seen in Table 19 (supplemented by Tables 29-42). It will be noted that fixed investment is divided into seven main categories, of which the first five constitute what is here considered as " productive investment " and (within this group) the second corresponds to " industrial investment ".

The role and behaviour of fixed investment in the key sector of " industrial investment " (limited, as here defined, to the mining, manufacturing and construction industries) has varied widely between countries according to their economic structure and course of development. The share of gross fixed investment accounted for by this sector during the period 1950 to 1954 was close to one-third in Austria, western Germany and the United Kingdom; it was about one-fourth in Denmark, Sweden, Italy, Finland and France, and about one-fifth in Norway and Greece.[21] In most countries industrial investment is the sector subject to the greatest year-to-year fluctuations. In only a few countries was there any significant rise over the period as a whole in the rate of industrial fixed investment, and only in Austria and Finland did industry take more than its proportionate share of the increase in total fixed investment between 1950 and 1954. In some countries, including Belgium, Greece and Sweden (where the absolute volume of industrial investment declined), the share of industrial investment fell substantially over the period.

The total volume of industrial investment was extremely stable in the United Kingdom throughout the period, though there were considerable shifts within this sector. Investment in coal-mining expanded rapidly, and in the engineering industries it was maintained, while investment in many consumer goods industries fell until 1954. In most other countries the pattern of industrial investment changed considerably in the course of the period. Table 20 throws some light on the changes in the pattern of investment in manufacturing industry. In Norway the increase in industrial investment since 1952 has been concentrated in the state-owned steelworks. In western Germany, Denmark and the Netherlands there was a rapid expansion of investment in the metal and the engineering industries; while in Belgium, France and Sweden the share of these industries in total investment in manufacturing industry seems to have remained fairly constant.[22] An industry which has claimed an increasing share of fixed investment in most western European countries is the chemicals industry. Favourable world markets for products of the forestry industries have induced a substantial development of investment in these branches, particularly in Norway and Sweden.

TABLE 20

Gross investment in metal and engineering industries as percentage of total investment in manufacturing

Estimates based on values in current prices

Country	1950	1951	1952	1953	1954
Belgium	44	43	42	44	..
Denmark	24	27	32	33	31
France	..	..	62	62	62
Western Germany . . .	32 *	40 *	47 *	50 *	56 *
Netherlands	26	27	39	39	30
Norway	32	32	35	43	40
Sweden	47	45	47	46	42
United Kingdom . . .	37	38	40	40	42

Sources and methods : See Appendix C.

Investment in transport and communications accounts, in most countries of western Europe, for some 10 to 15 per cent of total investment activity. In Norway, Sweden and Denmark, however, the share of this sector is much greater—roughly one-third, one-fourth and one-fifth, respectively, of total gross fixed investment. The high figure for Norway is due largely to the very important role of shipping in the Norwegian economy. In Sweden and Denmark there was a particularly rapid increase during the period, while in Norway the rate of investment was only slightly higher in 1954 than in 1950.[23]

As has been stated above, investment during the earlier post-war years was to a relatively great extent concentrated on basic industries, including fuel and power. This was particularly the case in France. But during the period 1950-1954 investment in power plants has tended to fall in France, and also in Denmark, Italy and Austria, although in the latter two countries there was a revival in 1954. In Norway both the level and the growth of investment in this sector would seem to have been modest in relation to the country's great hydro-power potential. But in Greece, western Germany, Sweden, and the United Kingdom investment in the production and distribution of electricity, gas and water has increased much faster than investment in industry.[24] In Greece expansion in this sector was exceptionally large, the intensive exploitation of power resources having in fact started only a few years ago.

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[21] For the other countries the necessary data are not available.

[22] In Sweden the heavy post-war investment programme in the steel industry was largely completed by the end of 1952.

[23] During the earlier years of this period the Government prohibited contracting for new ships and, in addition, Norwegian shipowners sold many ships at the favourable prices which then ruled.

The nature of private investment

The large shifts in the pattern of investment from 1950 to 1954 have to be considered in relation to the fact that cyclical changes in activity during the period were not uniform for all sectors of production. The different sectors of industry were affected in succession: the recession which followed the end of the Korean war started in the textile industries, followed by the pulp and paper, the engineering and the steel industries.[25] This would in itself be sufficient to explain quite substantial changes in the pattern of investment.

It also has to be borne in mind that technological development does not follow a stable trend, and that the industrial application of innovations is also erratic. This is a reason, particularly where private enterprise operates, for avoiding any rigid allocation of investment by firms or even by sectors. It is also in itself a strong reason, and one of still greater relevance to the present situation, for trying to avoid the need for restricting investment in any industry during periods when the incentive to invest is high. If restriction is necessary, the better course is to restrict investment in the less productive sectors and, more generally, in any sectors where postponement is possible without involving either serious immediate disadvantage or the danger that by the time particular investment projects can be carried out the spirit of enterprise will have evaporated. It is where public enterprise operates, or where the role of the State is decisive, that acceleration and postponement can, within limits, be undertaken without serious loss.

But it cannot be said that, in general, the contra-cyclical effects of public investment activity have been at all marked in western Europe during the period under review. More systematic surveys of private investment intentions [26] should enable governments to time their own investment activities, as well as their investment policies generally, to better effect—to cut back earlier, for example, on housing construction in a boom so as to leave more room for the expansion of private investment in industry.

A comparison in physical terms of investment and consumption in four countries

On the basis of a study undertaken for 1950 by the OEEC,[27] some of the results of which are projected forward for subsequent years in Table 21, it is possible to make a direct comparison of consumption and investment per head of the total population in France, western Germany, Italy and the United Kingdom. In the earlier part of the period the per capita volume of gross fixed investment was greater in the United Kingdom than in western Germany; but the rapid expansion of investment in western Germany meant that already by 1953 the absolute volume was higher than in the United Kingdom, and by 1955 it was considerably higher. At the same time, the western German volume of private consumption per capita, which in 1950 was less than two-thirds that of the United Kingdom, improved so much that by 1954 it was only one-quarter below that of the United Kingdom, and in 1955 the gap narrowed further.

Although France devoted the larger part of the growth of its national product to expanding consumption, western Germany is rapidly approaching the French consumption standard. Gross fixed investment per head in western Germany had caught up with that of France by 1952, and it is estimated to have become 35 per cent higher than in France by 1955. Even if allowance is made for the large amount of investment devoted to housing construction in western Germany, the contrast remains noticeable. In Italy, despite a rapid increase during the period, the per capita volume of fixed investment is still small compared with that of the other countries—for example, only about one-half of the level in western Germany.

The behaviour of net fixed investment

So far it is the behaviour of gross fixed investment which has been analysed. The gross concept is the more relevant when interest is mainly focused on the allocation of available resources. Also, the available statistics are very largely presented in gross terms. But to assess the rate of capital accumulation it is necessary to estimate the annual *net* addition to the capital stock.

According to the definition adopted in most western European countries, gross fixed investment covers

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[24] It has been seen that, in addition, British investment in coal-mining increased considerably.

[25] See *Economic Survey of Europe in 1954*, Chapter 1.

[26] Cf. " Short-term business indicators in western Europe ", *Economic Bulletin for Europe*, Vol. 7, No. 3.

[27] M. Gilbert and I. Kravis, *An International Comparison of National Products and the Purchasing Power of Currencies*, OEEC, 1953.

TABLE 21

Comparative per capita consumption and investment in four countries

Valued in dollars at average 1950 European prices

		Italy	France	Western Germany	United Kingdom
Consumption					
Total	1950	283	529	423	699
	1951	288	550	449	687
	1952	293	562	479	678
	1953	308	578	518	701
	1954	316	604	551	729
	1955	330	639	591	757
Gross fixed investment					
Producers' durables	1950	..	72	62	86
	1951	..	76	67	85
	1952	..	73	69	78
	1953	..	74	75	86
	1954	..	77	85	90
	1955	..	83	102	..
Residential buildings	1950	..	10	32	25
	1951	..	13	36	25
	1952	..	14	40	31
	1953	..	14	49	39
	1954	..	17	58	39
	1955	..	20	.. [a]	35
Other buildings and works	1950	..	43	23	22
	1951	..	42	22	21
	1952	..	36	19	21
	1953	..	35	23	22
	1954	..	36	22	24
	1955	..	37	.. [a]	..
Total fixed Investment	1950	60	125	117	133
	1951	66	131	126	131
	1952	73	123	129	129
	1953	77	123	147	146
	1954	81	131	164	153
	1955	92	140	189	168

Sources : 1950: M. Gilbert and I. Kravis, *An International Comparison of National Products and the Purchasing Power of Currencies*, OEEC, 1953. Figures for other years are extrapolations based on volume indices of investment and consumption taken from national sources, after correction for population increase. For further details, see Appendix C.

NOTE. — The table shows per capita consumption and investment, valued at average European 1950 prices. Since the same system of prices (in contrast to national prices) is applied to each of the four countries, inter-country comparison is statistically possible. This does not mean, however, that if another system of prices had been selected the relative position of each country would be unchanged.

[a] Separate data for 1955 are not available; residential buildings and other buildings and works together amounted to $87 per head.

all acquisitions of capital goods, including replacements. But in some countries, notably the Scandinavian countries and France, gross investment includes also major repairs and maintenance.[28] For the purposes of this study an adjustment has been made to the figures for these countries, so as to exclude repairs and maintenance.[29] The difference between gross and net investment is depreciation. This represents, in principle, the physical wear and tear of capital assets, together with some measure of obsolescence. In practice, it is not possible to estimate this on a year-to-year basis, and the method normally used involves spreading the services rendered by any individual capital asset over a certain period of time, usually according to the straight-line principle. As will be explained in more detail below, this is the method which has been adopted for Norway and for the United Kingdom. For these two countries detailed estimates of depreciation are available. In most of the other western European countries estimates of depreciation are published, and they aim at an independent assessment of depreciation rather than identifying actual depreciation with the allowances made for taxation purposes, but in many cases the estimates must be regarded as very rough.

If depreciation is estimated in this way, the year-to-year changes in the rate of depreciation of necessity become small. Normally depreciation increases steadily—at a low rate. Thus the yearly fluctuations in gross investment are reflected in relatively wider fluctuations in net investment. Table 22, summarizing available information on net fixed investment in western European countries, indicates a very wide variation between countries in the ratio of capital accumulation to national product. These differences are to some extent due to differences in the method of calculating depreciation, but some of the variations between countries are so large that they must be regarded as significant. In Norway and Finland the accumulation ratio of fixed capital is about 20 per cent per annum, while in such established industrial countries as France, Belgium, and the United Kingdom it is well below 10 per cent per annum. Among the industrial countries, western Germany occupies a special position, with an accumulation ratio for fixed capital of about 15 per cent: this has to be considered against the background of the exceptionally large additions, since the war, to its labour force, for the employment of which a considerable expansion was necessary in the stock of capital.

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[28] The arguments commonly put forward for such inclusion are the following: (1) Repairs and maintenance are in considerable measure an alternative to the acquisition of new capital goods; for they usually result in the extension of the life of the asset and therefore in a postponement of its replacement. (2) Expenditure on repairs and maintenance is postponable. The necessary resources can for some time be used for other purposes. Hence a gross national product defined so as to include repairs and maintenance gives a better indication of the sum of goods and services available for the community than one which is defined so as to exclude these items. (3) Repairs and maintenance involve, broadly speaking, a demand for the same type of goods as does the acquisition of capital goods.

[29] But for the case of France see the note to Table 33.

TABLE 22

Estimated capital accumulation in Western European countries

Net fixed investment as percentage of net national product

Country	1950	1951	1952	1953	1954
Norway	20	17	19	21	22
Finland	22	21	24	20	21
Austria	13	16	14	13	15
Western Germany	14	14	13	14	15
Switzerland	..	..	..	..	14
Netherlands	11	10	11	11	13
Denmark	12	13	13	13	13
Italy	11	11	12	12	12
Sweden	10	9	9	10	11
Greece	15	10	9	8	10
Turkey	6	7	9	9	9
France	7	8	7	7	8
Belgium	8	6	6	6	6
United Kingdom	5	5	5	6	6

Sources and methods : See Appendix C.

NOTE. — Countries are listed in descending order according to the rate of capital accumulation in 1954.

Attention is naturally drawn to the contrast between the accumulation ratios in western Europe and those in the Soviet Union and eastern Europe, which will be discussed later in this SURVEY.[30] Another difference is that in the Soviet Union and the countries of eastern Europe a much lower share of net fixed investment is devoted to housing and other less directly productive investment—in the sense defined above—than is usual in western Europe. Furthermore, in the total of productive investment the basic industries take a larger share than in western Europe. This points to the conclusion that not only is the rate of capital accumulation far higher, in relation to national product, in the Soviet Union and in the countries of eastern Europe, but also the composition of net investment in those countries is designed for the purpose of securing over the long run relatively high rates of economic growth. It seems to follow that investment activity in western European countries should yield quicker returns in the form of national product than is the case in the Soviet Union and the eastern European countries, where such a large proportion of the investment takes highly durable form.

It will be explained in a later chapter that in a growing economy depreciation, calculated on the straight-line principle, over-states the extent to which equipment is discarded.[31] It has to be borne in mind that the extent of the discrepancy depends upon the age distribution of capital equipment, being greater when a high proportion is fairly new. This is, other things being equal, the situation when the rate of accumulation is high. It would follow that net investment, as here estimated, under-states the growth of capital assets. The higher the rate of accumulation of capital the greater is the discrepancy.

On the other hand, in many of the countries of western Europe a substantial part of the existing stock of capital takes the form of very old equipment and buildings, which have been retained in use beyond their normal span of years as a result of the pressure of demand on limited resources.[32] The scrapping of such abnormally old capital assets, which will have been written off completely in earlier years, represents a loss of capital resources which is not covered by depreciation as estimated. This is a factor which partially offsets the effect of rapid accumulation of capital assets on the relationship between net investment, as estimated, and the effective addition to the capital stock.

In some western European countries there is a problem of reconciling, for recent years, a quite considerable expansion of national product with a low rate of net fixed investment—and particularly with what must have been a low rate of net productive fixed investment. Part of the explanation no doubt lies in the fact, which has just been referred to, that net investment tends to under-state the growth of capital assets; but this under-statement is least where

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[30] Chapters 7 and 8.

[31] Chapter 7, Section 1.

[32] In this connexion a Swedish investigation into the age distribution of industrial machinery and buildings may be quoted. The figures in the table are based on a sample covering a small number of relatively large companies, which may be assumed to be relatively progressive. In commenting on the results of the investigation, the Director of the Swedish Institute for Industrial and Economic Research, Dr. Jan Wallander, has stated that " it is not improbable that half of the equipment in Swedish industry is older than 15 years, and 35-year-old machines are not uncommon. The variations between the individual plants and industry groups are very great. The industrial buildings are of course in most cases considerably older." (*Dagens Nyheter, 4 December 1955.*)

Age distribution of machinery and buildings in existence in 1955 in a sample of Swedish industry

Percentages based on replacement cost in 1955

Age	*Machinery*	*Buildings*
Less than 6 years	27	12
6-15 ,,	31	32
16-25 ,,	27	25
26-35 ,,	7	8
36-45 ,,	3	9
More than 46 ,,	5	14

For western Germany an investigation of the age distribution of machine tools has shown that, in 1952, 30 per cent were less than 10 years old and 69 per cent less than 20 years old (*VDMA Wirtschaftsbilder*, Frankfurt, August 1952). At the same time, in the United States 58 per cent of the equipment in the engineering industries was less than 10 years old and 79 per cent less than 20 years old (ibid.).

TABLE 23

Gross and net fixed investment in Norway

Millions of kroner at 1954 prices

Sector	Gross [a]					Net				
	1950	1951	1952	1953	1954	1950	1951	1952	1953	1954 [b]
Agriculture, forestry, fishing and whaling	753	881	819	808	872	192	276	205	203	202
Mining and manufacturing	1 337	1 272	1 450	1 437	1 526	596	500	640	599	616
Electricity and gas	512	513	534	557	516	300	269	307	316	251
Transport and communications	2 664	2 511	2 367	2 653	2 782	1 108	853	822	1 083	1 182
Public administration	695	679	709	718	849	438	422	463	500	604
Dwellings	1 217	1 287	1 467	1 577	1 560	761	823	987	1 055	990
Other	511	589	678	726	854	274	337	416	452	554
Total	7 689	7 732	8 024	8 476	8 959	3 669	3 480	3 840	4 208	4 399

Sources: Nasjonalregnskap 1938 og 1948-1953, Økonomisk Utsyn over Året 1955 and information supplied directly by the Central Bureau of Statistics.

[a] Including repair and maintenance.

[b] Depreciation for 1954 extrapolated by the secretariat.

the rate of net investment is lowest. A more important contributing factor is the better utilization of capital equipment. Technical progress, including improvements in organization, must also have played a leading part. Finally, a distinction has to be drawn between the capital stock and productive capacity. The temporary retention beyond its normal life span of obsolete and worn-out equipment represents a contribution to productive capacity. But the contribution to output takes the form of high-cost production, as a result of the need for heavy repairs, and the capital value of this equipment is therefore small. In so far as current activity depends on the retention of this equipment, trouble is being stored up for the future because ultimately it will be discarded either for physical or for financial reasons.[33]

It is not possible to study the development of net productive investment in western European countries in any detail, since estimates of depreciation in individual sectors are available only for two countries, Norway and the United Kingdom. Table 23 shows the volume of gross and net fixed investment in Norway [34] during 1950-1954. The slow growth in the rate of net investment in the industrial sector is noteworthy. More than half of the increase in Norwegian net investment has in the past five years been concentrated in the " unproductive " sectors. Net investment in the construction of dwellings and in the public administration sector during the period has been equal to more than half the net investment in all productive sectors taken together. But during the immediate post-war years (i.e., prior to the period here studied) there had been a large increase in the rate of net productive investment, particularly in the merchant fleet and in power plants.

For the United Kingdom there has been published a study of the development of net fixed investment

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[33] The following passage concerning France is relevant in this connexion:

" One might wonder how consumption and exports, rapidly growing since 1952, could be met by a relatively small expansion of industrial equipment. The answer probably is that, as a result of achievements during the preceding period, there remained a margin of excess capacity in a number of sectors. It is likely that adaptations and reconversion enabled existing equipment to meet the new demand. Besides, certain production methods were improved without important alterations being made to the equipment; this enabled productivity which had been lagging behind to be raised. But idle capacity and improvements in productivity do not provide unlimited scope for expansion. Unless industrial investment is expanded at once the present rate of progress is liable in the near future to run up against shortages of productive capacity." *Rapport sur les comptes de la nation, 1949-1955*, Imprimerie nationale, 1955, pp. 41, 42.

[34] The Norwegian method consists in comparing the stock of capital in two years, as wide apart as feasible, the difference between the two magnitudes constituting the net investment during the period. The stock of capital is measured in constant replacement cost and the quality of the capital stock is taken into account by means of an index for the degree of exhaustion (its age distribution) in each of the two years. Depreciation is derived as the difference between total gross investment during the period and net investment during the period. The depreciation is allocated to the individual years, account being taken of fluctuations in the degree of utilization of productive capacity. This is clearly necessary since the Norwegian figures for gross investment include the cost of repairs and maintenance. (In Table 38 repairs and maintenance are excluded by deducting 20 per cent from the gross investment figures. This is the formula which has been suggested for bringing Norway's gross figures into line with the OEEC Standardized System.) Finally, annual net investment for any particular year is derived as the difference between gross investment and depreciation for that year.

TABLE 24

Gross and net fixed investment in the United Kingdom

Millions of pounds at 1948 prices

Sector	Gross						Net					
	1938	1950	1951	1952	1953	1954	1938	1950	1951	1952	1953	1954
Agriculture	12	47	46	40	37	40	3	11	8	—	−5	−5
Manufacturing and distribution	474	593	595	555	570	600	191	267	249	193	191	205
Coal, gas, electricity and water	138	198	196	197	220	255	38	93	86	83	101	130
Transport and communications	242	201	179	173	199	200	50	17	−7	−16	8	10
Public and social services	91	71	79	86	94	95	61	35	43	49	56	55
Dwellings	474	315	318	388	490	495	333	140	140	207	306	310
Total	1 431	1 425	1 413	1 439	1 610	1 685	676	563	519	516	657	705

Sources : 1938–1953: P. Redfern, " Net investment in fixed assets in the United Kingdom 1938–1953 ", *Journal of the Royal Statistical Society, Series A,* Part 2, 1955. 1954: *National Income and Expenditure, 1955* for gross investment. Depreciation has been extrapolated from Redfern's series.

between 1938 and 1953.[35] These calculations, which have been extended to 1954 and summarized in Table 24, suggest the following conclusions:

(1) During the years 1950-1952 the volume of net fixed investment in the United Kingdom was appreciably lower than in 1938, and it was not until 1954 that this level was surpassed.

(2) The reduction in house-building compared with 1938 accounts for more than the whole of the fall in net investment. And the increase in net investment in the latter part of the period was almost entirely due to the expansion of house-building.

(3) Net productive fixed investment was in 1950 about 40 per cent above the 1938 level but it fell steeply in the following years. It recovered in 1954 and 1955, without, however, regaining the 1950 level.

The data provided by the study do not lend themselves to an analysis of the trend of net industrial investment (in mining, manufacturing and construction). It can, however, be inferred that this sector showed the largest increase in 1950 over the pre-war level but no further increase over the period 1950 to 1954.

It is to be expected that the rate of depreciation will be considerably lower for dwellings and for the public administration sector, where the capital consists of buildings, roads and similar works of high durability, than in the productive sectors. This is confirmed by the figures available for Norway and the United Kingdom. In Norway public administration and dwellings accounted during the period 1950 to 1954 for 25 per cent of total gross fixed investment, but for nearly 40 per cent of all net fixed investment. In the United Kingdom the corresponding proportions were 33 per cent and 45 per cent.

What is most significant about the data for Norway and the United Kingdom is that the actual magnitudes of net productive fixed investment are so low in relation to total gross investment, and of course still lower in relation to the national product. To appreciate the orders of magnitude involved, a hypothetical illustration may be helpful. Let the normal growth of gross national product be assumed to be 3 per cent per annum. If the whole of this could be allocated to productive investment the result would in the United Kingdom be a doubling of net productive investment, and in Norway an increase by one-quarter. These countries are situated at the two extremes of Table 22, showing the share of net fixed investment in net national product. It is probable that similar hypothetical calculations for other western European countries would produce results intermediate between those derived for Norway and those for the United Kingdom. In any case it seems clear that even a relatively modest shift in the allocation of resources could have important implications for the rate of capital accumulation and hence for economic growth.

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[35] Philip Redfern, " Net investment in fixed assets in the United Kingdom, 1938–1953 ", *Journal of the Royal Statistical Society*, Series A, Part 2, 1955. The method used by Mr. Redfern consists of estimating annual gross fixed capital formation for each class of asset, starting as many years before 1938 as corresponds to the estimated length of life of the particular asset. The gross figures are expressed in terms of replacement cost by means of appropriate price indices. From the gross figures the annual depreciation is deducted according to a straight line formula. Net investment is finally derived as the difference between gross investment and annual depreciation. The value of the capital stock in 1938 and subsequent years is also derived from the data.

3. THE PHYSICAL LIMITATIONS SINCE 1950

Manpower

The development of national product and of investment described in the preceding section did not continuously take full advantage of available productive resources. The failure to do so was, of course, particularly obvious during the mild recession which followed the boom associated with the Korean war. Between 1951 and 1953 unemployment increased in nearly all western European countries,[36] western Germany[37] and Switzerland being notable exceptions. The fact that in most countries between one-third and one-half of the increase in industrial production in the last two years is attributable to an increase in the level of employment[38] indicates that there has been, at any rate until recently, an imperfect utilization of manpower resources.

The countries in western Europe for which figures are available can be divided into three groups on the basis of their ratios of unemployment[39] throughout the period 1949 to 1954. Sweden, Norway, Finland, the United Kingdom, the Netherlands and Switzerland form one group for which the ratio was consistently below 5 per cent. Another group consists of Denmark, Belgium and—until recently—western Germany and Austria, where the ratio of unemployment remained consistently above that level. The countries of southern Europe belong to a third group, where figures for registered unemployment are high, yet usually understate the position because of concealed unemployment or under-employment in agriculture. The position of France is uncertain because of the incompleteness of the unemployment figures,[40] but it is probably close to that of the first group.

But the existence of substantial unemployment is not a sufficient indication that production is capable of being considerably greater. Whereas it is a characteristic of a recession that surplus labour and surplus productive capacity are available side by side, there are several countries in which the labour supply is, or until recently was, in excess of what can be employed with the available productive capacity. In most of them the investment described in the preceding section served in part to provide a basis for the employment of a growing labour force, and the growth of employment has usually exceeded the decline in unemployment.[41]

The growth in industrial employment[42] has been made possible by shifts of labour from one sector to another[43] as well as by increases in the labour force and the absorption of the unemployed, the relative importance of these factors varying from one country to another. The Netherlands and western Germany, where the increases in industrial employment between 1950 and 1955 have been of the order of 10 and 31 per cent respectively, are both cases of structural adaptation of industry to the need to provide additional employment. In the Netherlands a large natural increase of population[44] and a shift of manpower from agriculture to industry lie behind the substantial increase in industrial employment. In western Germany the growth of capital was sufficiently rapid and extensive to absorb the vast influx of refugees and to achieve conditions of fairly full employment by the summer of 1955. An increase of about 9 per cent over the period in industrial employment in the United Kingdom is a case of labour supply increasing in response to growing demand. Switzerland is in a special category: an increase in industrial employment of almost 20 per cent between 1950 and 1955 was rendered possible by a flexible immigration policy, under which foreign labour is admitted when manpower shortages threaten to develop. Italy is the western European country in which the natural growth of population is most rapid,[44] but employment in industry increased by only 3 per cent over the period and the ratio of unemployment rose further.

Physical capacity

Information about the utilization of physical productive capacity is scattered, and usually very inadequate. For the purpose of diagnosis, and in particular for the formulation of economic policy, it is of considerable importance that the supply of information of this kind should be improved. During the minor recession which followed the end of the Korean boom there was, of course, imperfect utilization not only of manpower but also of physical capacity. The growth of output which has occurred since, together with the increasing shortages of manpower in some western European countries, makes it urgent to known to what extent, in what way, and in which sectors limitations of productive capacity are also now a restraining influence.

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[36] See Table 56.

[37] In western Germany there was merely a slowing down of the rate of increase of employment.

[38] See Tables 1 and 6.

[39] See Chapter 5, Section 1, and Table 56.

[40] On the French unemployment figures see Chapter 5, Section 1.

[41] See Table 56.

[42] See Table 28.

[43] These are discussed in Chapter 5, Section 4.

[44] See Table 57.

In general, the pressure of demand on productive resources tends to be considerably heavier in the investment sector of each country than in its consumer goods sector. This difference arises not only from shortages of specialized labour in the building and engineering industries, but also from the fact that, in relation to requirements, productive capacity is more limited in the investment sector than in the consumer goods sector. This is borne out by the gap which has developed in the movements of the prices of capital goods and consumer goods. During the Korean war the former rose more than the latter. The gap has persisted and, in some cases, has widened considerably: it has become particularly wide for western Germany, for instance, but has remained fairly narrow in France and Italy.

The significance of productive capacity as a limiting factor has been much greater in the provision of basic materials, such as steel, and basic services, such as transport and power, than in the ordinary run of manufacturing industry. Certain indications are available from special surveys undertaken for the purpose. A survey made in Austria[45] early in 1955 indicates that for the production of capital goods as a whole there was surplus capacity amounting to 8 per cent, while the corresponding figure for consumer goods as a whole was 19 per cent of total capacity. Within the investment sector, surplus capacity was only 1 per cent for the production of vehicles and 6 per cent for the engineering industries. In the production of electricity it was 9 per cent.

For western Germany a regular sample survey is undertaken by the Munich Institut für Wirtschaftsforschung (the IFO-Institut).[46] Among other purposes, the survey is aimed at ascertaining the proportions of firms which are working at what they regard as excessive, optimum or inadequate utilization of capacity. Between October 1954 and October 1955 there was in the investment sector a movement from both directions towards optimum utilization, the result, on the one hand, of a further increase of output and, on the other hand, of investment in the enlargement of capacity. It also appears that by October 1955 productive capacity in the investment and consumer goods sectors was on the average being utilized to the same extent, whereas previously capacity in the consumer goods sector was much less fully utilized.

For France a sample of about 2,700 industrial firms is investigated every six months by the Institut national de la Statistique et des Etudes économiques.[47] This indicates that recently 77 per cent of the firms were using their capacity to the extent of more than 70 per cent, whereas a year previously 72 per cent recorded this degree of utilization, and in May 1953 only 50 per cent. It is, however, the smaller firms which tend to work well below capacity. If the sample is assessed in terms of the volume of production, it appears that recently about nine-tenths of total production was in firms working their capacity to the extent of over 70 per cent; three-quarters of production involved capacity utilization to the extent of more than 80 per cent, and half of all production was in firms working their capacity to the extent of over 90 per cent.

The use of multiple shifts

More extensive use of multiple-shift working provides an obvious means of relieving a shortage of productive capacity. The relief is not confined to the type of capacity in which the extra shifts are worked. Perhaps more important is the resultant spreading of the load on the electric generating system and on the services of transport, particularly transport of workers. Furthermore, the extension of multiple-shift working should result in a concentration of production on the more efficient plants in each industry, which would partly offset the higher wage costs of shift work. For all these reasons the effectiveness of investment would be increased and the need for it reduced.[48] The economic case for multiple-shift working—both from the point of view of the individual employer and from that of the economy as a whole—is particularly strong where obsolescence rather than wear and tear is likely to prove the decisive factor limiting the life of the equipment.

The social objections to multiple-shift working are, of course, very strong. To some extent they can be met by the institution of special arrangements designed to accommodate the way of life to this system of working, but these are not likely to be made unless a large number of firms in a particular area adopt the system. In many countries social legislation and industrial agreements prohibit night work for women and young persons (in some cases including work in the early morning or late evening, thus ruling out double day-shift working) or allow it to take place only under special conditions.

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[45] *Die Kapazitätsreserven der österreichischen Industrie*, Österreichisches Institut für Wirtschaftsforschung, Vienna, March 1955, pp. 6-7.

[46] For the latest results, see *IFO-Schnelldienst*, 25 November 1955.

[47] For the most recent results see *Conjoncture et mouvement des affaires*, November 1955.

[48] The spread of multiple-shift working in the Soviet Union and eastern Europe has contributed significantly to the expansion of production (see Chapter 7). The economies which can be achieved in this way are, of course, particularly important in countries seeking to expand output rapidly in relation to the capital resources available.

There are, of course, many industries in which double or triple shifts are commonly worked, either because continuous operations are necessary for technical reasons or because the tradition has become established. Normally, however, the social objections are reflected in unwillingness on the part of the workers themselves.

These objections tend to be reflected in the extra labour cost involved in shift work, though the differential seems to be smaller, as might be expected, in countries where there is chronic unemployment and the resistance of the workers to multiple-shift working is weak. In the United Kingdom the bonus offered for shift work varies from industry to industry depending on the extent to which it is customary in that industry. No bonus is paid in industries where continuous operation is normal, but where shift work is not common, for example, in cotton spinning, the bonus may be as much as 20 per cent on the wage. In France the differential appears to be very high indeed, varying between 50 and 100 per cent, but the effective differential on the average worker's total income (including family allowances) must be considerably lower. In Italy the differential averages about 8 per cent.

The economic case for the introduction of shift working is strongest when it is expected that, for some time to come, demand will press heavily on productive capacity, especially in the investment goods industries and basic services. But if capacity in general is in fact adequate to keep the labour force fully employed in the traditional manner,[49] it will be difficult for governments or individual employers to persuade particular groups of workers to change to a multiple-shift system. It will not be sufficient simply to demonstrate that the change would permit consumption to take a greater share of total output in the future than would be possible if more investment in the expansion of capacity were required: considerable immediate financial inducements are likely to be needed. Future savings in capital costs may in some cases be sufficient to compensate employers for increased wage costs: power charges differentiating sharply between peak and off-peak periods could be an important additional offsetting factor.

Information about the extent of shift working in western Europe is scanty. It is sufficient, however, to indicate that, outside the industries in which it has long been the tradition or is technically necessary, the extent of shift working is small. In France the results of a recent sample survey [50] indicate that 60 per cent of the firms were working on single shifts, 11 per cent on double shifts, 9 per cent on triple shifts, and that in 20 per cent of the firms additional shifts were worked in a section of each establishment. It appears that both in the United Kingdom [51] and in France, as also in Italy,[52] multiple-shift working is more common in large firms than in small ones.

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[49] Under such conditions the case for shift working is, of course, weaker, though significant economies could still be obtained by the concentration of production in the more modern and efficient plants and the closing down of outmoded units.

[50] The Institut national de la Statistique et des Etudes économiques has included questions on shift work in its last six-monthly sample survey. The results are published in *Conjoncture et mouvement des affaires*, November 1955.

[51] In the United Kingdom research in this field is being undertaken by the Industrial Research Group of the University of Cambridge, with the help of Conditional Aid Funds.

[52] See *Lavorazioni a piu turni*, Progredi S.A., Milan, July 1955.

4. THE COMPETING CLAIMS OF CONSUMPTION

The growth of private consumption in the western European countries since 1950 is shown in Tables 29 to 42 at the end of this chapter, and Table 21 presents a more vivid picture of the part played by rising per capita consumption in Italy, France, western Germany and the United Kingdom. The major influences on the level of consumption are the level of real wage rates, the levels of employment and unemployment, and the distribution of income between sectors and the degree of thrift exercised by different classes of the community. A satisfactory investigation of the causes of differences in consumption levels, both as between countries and as between different points of time, would have to be extremely elaborate: what follows here is an attempt to throw light on some of the main factors involved.

Statistics of saving

An examination of the composition of national saving is of value for this purpose. Figures of total saving are only a repetition of figures of total investment. The question whether the obstacle to a country's domestic investment running at a higher rate lies in the competing claims of consumption entails an

TABLE 25

Trend and sources of net saving

Percentages

	Finland[a]	Western[b] Germany	Nether-lands[b c]	Austria	Norway[b]		Denmark	Sweden[b]		France	Italy	Belgium	United Kingdom	Turkey[a]	Greece
Total net saving as percentage of net national product					*d*			*d*							
1938	..	..	..	..	15		9	13		..	..	..	4	..	..
1948	..	..	..	..	18		13	12		..	..	5	5	..	..
1949	..	..	..	..	17		13	14		10	..	8	5	..	..
1950	23	15	13	10	17	14	13	13	10	11	11	4	5	..	—
1951	28	21	15	14		22	12		9	8	11	10	6	5	2
1952	22	19	16	15		19	14		13	8	8	10	6	6	1
1953	22	20	18	14		14	14		10	7	9	7	7	7	5
1954	23	20	18	15		14	12		10	10	11	8	8	6	2
Sources of saving as percentage of total saving															
Public authorities															
1938	..	..	..	..	33		20	23		..	..	..	−71	..	..
1948	..	..	..	..	32		34	31		..	..	13	60	..	..
1949	..	..	..	..	39		27	33		−16	..	−14	69	..	..
1950	..	27	62	56	48	53	31	20	25	−3	..	−4	59		..
1951	..	27	69	48		38	28		54	−1	..	16	40	..	..
1952	..	33	76	45		44	21		45	−19	..	−3	18	..	..
1953	..	40	54	57		52	..		49	−14	..	−36	—	..	..
1954	..	41	44	..		45	..		..	2	12	..	2	..	..
Companies															
1938	..	..	..	..	..		18	76		..	..	..	87	..	..
1948	..	..	..	..	..		11	71		..	..	44	77	..	..
1949	..	..	..	..	..		12	56		24	..	20	58	..	..
1950	..	..	..	46	..	..	11	76	..	42	..	−4	77	..	..
1951	..	..	..	31		..	12		..	46	..	2	79	..	..
1952	..	..	..	15		..	11		..	52	..	24	35	..	..
1953	..	..	..	12		..	..		..	48	..	25	53	..	..
1954	..	..	..	..		..	..		..	36	34	..	61	..	..
Persons[e]															
1938	..	..	..	..	..		62	1		..	..	..	84	..	..
1948	..	..	..	..	..		55	−2		..	..	63	−37	..	..
1949	..	..	..	..	..		61	11		72	..	94	−27	..	..
1950	..	..	..	−2	..	..	58	4	..	61	..	108	−36	..	..
1951	..	..	..	21		..	60		..	55	..	82	−19	..	..
1952	..	..	..	40		..	68		..	67	..	79	47	..	..
1953	..	..	..	31		..	..		..	66	..	111	47	..	..
1954	..	..	..	..		..	..		..	62	54	..	37	..	..

Sources : See Appendix C.

NOTE. — Countries are arranged according to the rate of net saving in 1954, but no great importance can be attached to small differences between countries.

[a] In Finland and possibly Turkey total saving does not allow for changes in stocks, which are treated as part of consumption.

[b] The allocation of private saving between persons and companies is not available or cannot be made.

[c] In the Netherlands, saving by the public authorities includes the addition to all insurance funds and not only to compulsory insurance funds. The percentages for saving by public authorities are to this extent inflated, and the corresponding percentages for private saving understated.

[d] For Norway and Sweden the series beginning in 1950 are not comparable with the series for earlier years, which are calculated on a different basis. For further details, see Appendix C.

[e] Personal saving includes saving by individual (unincorporated) enterprises.

enquiry into the operation of the physical limitations [53] —manpower, productive capacity and natural resources—and into the behaviour of the balance of payments. The figures of total net saving, presented as a percentage of net national product in the upper part of Table 25, have, however, an interest in that, unlike those in Table 22 which is confined to fixed investment, they take account of the balance of payments, and also of stock changes. A comparison of the relevant figures in Table 22 and Table 25 will reflect, for example, the extent of the dependence of Greece on foreign financial assistance rather than on domestic saving for carrying out domestic investment, the extent to which the domestic resources of Norway and of Italy have been supplemented by borrowing abroad to finance an excess of imports over exports, and the extent to which western Germany has been devoting its saving to building up claims on other countries in addition to domestic investment (including a considerable building up of stocks).

Table 25, unlike Table 22, goes back to 1948 for some countries; and for four countries a comparison is possible with 1938. This indicates a considerable rise since before the war in the ratio of saving to national income in Denmark, some rise in the United Kingdom [54] and in Norway, and little change in Sweden.

The lower part of Table 25 presents such data as are available about the composition of saving.[55] Any such statistical analysis is bound to rest on weak foundations in the existing state of information on saving in most countries. In particular, the figure for personal saving is usually derived as a residual and is therefore subject to a wide margin of error.[56]

The importance of public saving is the outstanding feature which emerges from the table.[57] In the countries for which data are available, it plays a negligible part, over the post-war years taken together, only in Belgium and France. The year-to-year fluctuations probably lack much statistical significance, but the persistent negative trends for Belgium and France are striking. It is tempting to attribute to this fact part of the responsibility for the rather low rates of capital accumulation in these two countries. But it will be suggested in the next chapter that in Belgium, and until recently in France, the low level of investment has to be explained in terms of lack of stimulus and incentive rather than of inadequacy of saving. The only figure available for Italy suggests that public saving has played a very minor role, and here some causal responsibility for a low rate of capital accumulation can be imputed.

In Denmark, public saving seems to play quite an important part, as it did before the war. In the United Kingdom, public saving was very important some years ago (without being obviously reflected in the rate of accumulation of capital) but has dwindled away. In western Germany, on the other hand, it has been growing rapidly and is now a major constituent of the high rate of total saving.[58] In Austria also, public authorities have accounted for a considerable part of the country's saving. Apart from western Germany and Austria, the countries with the highest rates of saving covered by this survey are Finland, Norway and the Netherlands. The table shows that public saving is very important in these countries, although in the Netherlands its relative importance is diminishing.

The figures for company saving do not, for most of the countries taken individually, reflect any pronounced trend; and the year-to-year fluctuations in the proportion of company saving to total saving are considerable. There are large differences between countries. Austria has been moving rapidly from the category of high corporate savers (including Sweden, the United Kingdom, and, in a more modest way, France and perhaps Italy) to the lower category (Belgium and Denmark). The relationship between company saving and investment by companies will be discussed in a later chapter.[59]

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[53] See Chapter 3, Section 4.

[54] In the United Kingdom 1938 was a year of recession and a comparison with 1937, for example, would probably be less flattering to the post-war trend of investment and saving in relation to national product.

[55] The concept of saving used in constructing the table is that of the Standardized System of the OEEC. The principle, explained in Appendix C, is that saving by public authorities is the excess of current revenue over current expenditure (including total outlay on defence) of central and local governments and the compulsory social security funds; company saving is the net undistributed profits of companies; and personal saving is the excess of disposable personal income over expenditure on consumption (including motor-cars), but the undistributed profits of unincorporated enterprises have to be included under personal saving. In all cases figures are net of depreciation. The methods of estimating depreciation are described in Section 2. The division of total depreciation between the three sectors adds to the unreliability of the estimates.

The figures shown in Table 43 cover the current revenue and expenditure of the central government only. Mainly for this reason, but partly on account of differences of definition and data used, they differ considerably from the figures for public saving used here.

[56] The figures for personal saving in the United Kingdom have been investigated by Mr. C. T. Saunders in a paper read before the Manchester Statistical Society, 10 November 1954, " Some problems in the estimation of personal savings and investment ", *Review of Economic Studies*, 1954/55, No. 58. See also *National Income and Expenditure, 1955*, Table 27.

[57] This is discussed further in Chapter 3, Section 5.

[58] This is largely the result of the accumulation of unspent balances of occupation costs.

Considerable attention has been devoted in various countries to the behaviour of personal saving in recent years. The reason lies partly in the quantitative importance of the contribution of personal saving to the total, partly in the idea, critically discussed in a later chapter,[60] that personal saving is qualitatively superior to the other two kinds. A number of reasons are in fact adduced for believing that it is objectionable to rely extensively on public [61] and company [62] saving. A thorough study of personal saving would have to compare personal savings with personal incomes, and this is not attempted here. Nevertheless, the figures in Table 25, limited in range as they are, can throw some light on the suggestion that there has in recent years been a marked growth of personal thrift. The figures for the United Kingdom show most clearly a very remarkable change which took place in 1952. A considerable increase in personal saving has occurred in other countries also. In Belgium it began as early as 1950; in Austria in 1951; and in western Germany in 1952.[63] There is some evidence that a similar development took place in the Netherlands also in 1952.[64]

The progressive reduction in the burden of taxation, the rise of real wages, and to some extent the more generous distribution of dividends out of company profits,[65] must all have contributed to the growth of personal saving.[66] The initial rise in the rate in most countries, however, must also have been partly the result of the completion of the rebuilding of consumers' stocks depleted during the war. It has also been suggested that in some countries the greater stability of prices in recent years, and indeed a growing feeling of confidence in the stability of the price level, has been an important factor in the growth of personal saving. The relevant statistical evidence is meagre and not conclusive. In Belgium, where prices remained stable, personal saving did increase over the period as a whole. In western Germany, too, a rising rate of saving has coincided with a period of price stability, but other factors such as the rising income level may well have been more important. In the United Kingdom, saving has remained at the higher level reached in 1952, while the price level has continued to drift upwards. Elsewhere the picture is still less revealing.

Further evidence is, however, provided by the extent to which additions to individuals' wealth have involved the acquisition of assets whose value is fixed in terms of money. Some figures on this subject are presented in Table 26 for five of the countries of western Europe. They are indicative rather than comprehensive. They do show, however, how large is the annual accumulation of savings accounts, and the like, compared with total personal saving, in Belgium, France, western Germany, and the United Kingdom [67] (but not in Denmark). It is not possible to establish to what extent the expansion of savings accounts has been effected directly out of new saving and to what extent it has been the result of switches out of other forms of wealth previously accumulated. But it seems clear that a high proportion of the expansion reflects the manner in which new saving has been applied.

The payment of life insurance premiums (together with contributions to pension funds) is seen to play a very prominent role in the United Kingdom and important roles in western Germany and Belgium. In these countries, at least, it would appear that a very

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[59] Chapter 4, Sections 2 and 3.

[60] Chapter 4, Section 3.

[61] Particularly because of the disincentive effects of heavy taxation.

[62] See Chapter 4, Sections 2 and 3, for a discussion of the effects of a high degree of retention of company profits.

[63] The ratio of personal saving to net national product has in general fluctuated less widely than has the share of personal saving in total saving as shown in Table 25. As a ratio of the net national product, personal saving in six western European countries has moved as follows since 1949:

	United Kingdom	Belgium	Western Germany	Austria	France	Denmark
1949 . . .	−1	3	. .	. .	7	8
1950 . . .	−2	7	3	—	7	7
1951 . . .	−1	4	3	3	5	7
1952 . . .	3	9	4	6	5	9
1953 . . .	3	8	5	4	5	. .
1954 . . .	3	8	5	. .	6	. .

Source : The figures are derived from Table 25, except for western Germany, where the total for personal saving was taken from Table 26: the figures for western Germany under-state personal saving for the reasons explained in footnote *b* to Table 26.

In Belgium and France the accumulation of stocks by consumers in 1951 was at the temporary expense of saving. The fact that the revival of personal saving in the United Kingdom was delayed until 1952 may have a similar explanation.

[64] J. C. Wijnmaalen, " De besparingen van de Nederlandse Volkshuishouding voor en na de Oorlog ", *Centraal Planbureau*, overdrukken No. 26, and B. Pruijt and J. B. Brezet, " Excess of capital in the Netherlands ? ", *Quarterly Review, Amsterdamsche Bank*, No. 109, second quarter 1955, p. 2.

[65] See Chapter 4, Section 2.

[66] As is emphasized elsewhere, a transfer to the personal sector from the public sector (as a result of tax concessions) and from the company sector (as a result of the payment of higher dividends) is likely to be achieved at the expense of an increase of consumption and therefore of a reduction in the aggregate of national saving.

[67] It should be noted that the table shows only two forms of personal saving and omits many other ways in which savings are accumulated in forms of wealth which are fixed in terms of money—e.g., securities and time deposits. There are also in some cases large unidentified residuals. In particular, the large increase in net personal saving in the United Kingdom from 1951 to 1952 cannot be accounted for by additions to savings accounts and life insurance funds, and must have occurred in other types of personal saving.

TABLE 26

Yearly increase of savings accounts and of life insurance funds

National currencies

Country	Year	Savings accounts[a]	Life insurance funds[c]	Net personal saving
United Kingdom . . (Millions of pounds)	1948	104	211	−226
	1949	158	230	−179
	1950	103	262	−242
	1951	98	301	−146
	1952	38	342	437
	1953	112	381	555
	1954	303	427	493
France . . . . . . (Billions of francs)	1950	181	18	589
	1951	154	23	495
	1952	200	26	660
	1953	278	28	622
	1954	392	. .	841
Western Germany[b] (Millions of DM)	1950	1 000	800	2 300
	1951	900	800	2 700
	1952	2 200	1 100	4 500
	1953	3 500	1 700	6 000
	1954	4 600	2 400	7 200
Denmark . . . . . (Millions of kroner)	1949	317	110	1 395
	1950	315	120	1 496
	1951	87	130	1 539
	1952	411	130	2 184
	1953	532	. .	. .
	1954	257	. .	. .
Belgium . . . . . (Millions of francs)	1949	7 700	1 700	22 600
	1950	4 100	2 100	14 000
	1951	5 500	2 300	31 500
	1952	11 000	2 600	29 600
	1953	9 900	2 900	30 500
	1954	8 800	. .	. .

Sources : See Appendix C.

[a] This heading covers deposits in savings banks (in some cases including building societies). It includes time deposits with commercial banks in those cases (western Germany and Denmark) in which they can be allocated to persons. Included also under this heading are National Savings Certificates (United Kingdom) and short-term bonds acquired by persons (France).

[b] Net personal saving in Germany is under-stated. The figures are derived from net changes in financial assets and exclude net investment (including dwellings) by persons which in western German statistics is part of the company sector. The figures for the additions to life insurance funds include the increase in claims on building and loan associations.

[c] For the United Kingdom including also superannuation schemes.

high proportion of personal saving is accumulated in forms whose value is fixed in terms of money.

The yearly expansion of savings accounts and life insurance funds shown in Table 26 has accelerated in recent years even faster than personal saving; and this adds some weight to the view that the increase in personal saving can be attributed partly to increased confidence in the stability of prices. On *a priori* grounds this factor must be deemed to be highly relevant. If, however, an attempt is made, on the basis of Table 26, to draw a distinction between the United Kingdom, on the one hand, where the upward trend of the cost of living has persisted, and, on the other hand, Belgium, France and western Germany, where reasonable stability has been maintained for several years, it can only be said that the purely statistical evidence is not at all decisive. This conclusion is reinforced by the fact that in Italy the growth of savings accounts has in recent years been relatively large and has been accelerating rapidly, and that in Norway the growth of savings accounts and life insurance funds, although not relatively large, has also been accelerating to a marked degree; yet in Italy and, to a much lesser extent in Norway, the cost of living has continued to rise.

The claims of amenity investment

The most obvious example of a direct conflict of amenity investment with productive investment is the claim exerted by certain types of construction such as dwellings, shops and cinemas on the resources of the building industry. But, as has been mentioned already, investment in the provision of services such as those of transport and power is also to some extent dictated by the direct requirements of the consumer and not solely by the needs of industry.

The data discussed in Section 2 above, and in particular the figures presented in Tables 29 to 42 at the end of this chapter, indicate what a heavy burden within the total of a country's investment is represented by investment in transport and in the generation and distribution of electricity, together with the other public utilities. The equipment called for by these industries is quite exceptionally durable, so that the fruits of the investment are spread over a long period of time in the future. Moreover, it is often used very imperfectly. This is particularly true of an electricity system in which the domestic load is heavily concentrated on certain hours of the day which largely coincide with the peak of the industrial load. These facts all suggest a strong case for postponing investment in these sectors at any time when pressure on investment resources is unduly heavy, provided that this can be done without adverse effects on vital supplies and services for industry.

In most European countries it has been a close race between the expansion of the basic services—especially in the supply of electricity and the provision of transport—and the growing requirements of industry. In most countries in which a policy of restraint has been adopted, it was with the hope that only a temporary check to the rate of economic expansion would be required and that this would not involve any permanent drag on the development of industry or, therefore, on the development of industry's requirements. Yet the programmes of public utilities are pruned at times when investment generally is the subject of restraint.[68] It does not seem to be supposed that such pruning will imperil the meeting of future essential requirements, but the question arises whether more consideration should be given to means of slowing down the growth of domestic consumption of services such as electricity, especially in countries where the need for a high level of productive investment is likely to continue for some time and where pressure on investment resources is heavy. This would probably demand the revision of the system of electricity charges.

There is in fact evidence that the pricing policies pursued in some countries have tended to encourage the expansion of domestic use; and, in recent years, prices charged to domestic consumers have risen less than charges to industrial users. An outstanding example is the United Kingdom, where, moreover, the pricing system is such that there appears to be insufficient incentive for domestic users to spread their consumption so as to minimize the addition to the industrial peak load. In a number of continental European countries, on the other hand, domestic electricity tariffs are designed partly with this end in view and have helped to lessen the disparity between peak and off-peak consumption.

The claims on the building and metal-using industries

The competition for the use of productive resources arising from claims of different types cannot be considered merely in terms of resources in general. Productive capacity is specialized and so to some extent is labour, particularly skilled labour which is of special importance in the building and engineering industries.

TABLE 27

Volume of output and supply of metal products [a]

Total supply in 1952 = 100

	France				Western Germany						United Kingdom					
	1952	1953	1954	1955	1950	1951	1952	1953	1954	1955	1950	1951	1952	1953	1954	1955
Total supply	100	103	110	116	67	89	100	103	123	154	91	98	100	105	110	124
Of which :																
Deliveries from home production	92	95	102	106	65	87	98	101	119	148	89	95	96	101	107	121
Imports	8	8	8	10	2	2	2	2	4	6	2	3	4	4	3	3
Allocation of supply																
Defence [b]	15	18	16	13	..	..	..	..	..	..	7	10	15	17	16	61
Investment [b]	44	44	47	50	35	40	42	46	53	64	35	36	35	36	37	
Passenger cars for home market	8	8	9	12	4	4	5	6	7	9	2	2	3	5	7	10
Consumer goods for home market [b]	16	17	20	23	15 [a]	22 [a]	25 [a]	21 [a]	26 [a]	37 [a]	9	10	9	10	11	13
Exports	17	16	18	18	13	23	28	30	37	44	38	40	38	37	39	40

Sources and methods : See Appendix C.

[a] The data relate to the supply of goods to final consumers and therefore exclude deliveries within the metal products sector as well as changes in stocks and work in progress, except in the case of western Germany, where figures for consumer goods, obtained as a residual, include changes in stocks with traders.

[b] In the case of western Germany, it is not known to what extent metal products delivered in connexion with occupation costs are included in investment or in the residual item " consumer goods for home market ".

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[68] For example, in the United Kingdom the Chancellor of the Exchequer recently announced that the British Electricity Authority would be postponing certain less vital projects and that the gas industry would make do with older equipment—and that generally the nationalized industries recognized that " their proposals for future investment will necessarily be examined with a much more critical eye than in previous years ". Also " The British Transport Commission is well aware of the general needs of the economy, and in carrying through its programme will have those needs in mind." (*House of Commons, Official Report*, 26 October 1955, col. 216-217.) In the course of a lecture given to the National Economic Association, Mr. V. Kampmann, the Danish Finance Minister, said: " It would seem that all institutions under this heading—the state railways, the postal services, the telephone companies, the harbours and so on—tend to think that if they have projects for several years ahead, they can reasonably ask for such projects to be fulfilled year by year. There is, of course, a struggle—at the moment, we know, a very fierce one—between the institutions and various central authorities about the extent to which those projects should be fulfilled." (" Finansieringen af Investeringerne ", *Nationaløkonomisk Tidskrift*, No. 1-2, 1955.)

TABLE 28

Employment in manufacturing and building industries

Index numbers : 1950 = 100

	Metal using					Total manufacturing industry					Building				
	Averages					Averages					Averages				
	1951	1952	1953	1954	1955 [a]	1951	1952	1953	1954	1955 [a]	1951	1952	1953	1954	1955 [a]
Belgium [b]	109	110	105	106	111	104	101	100	100	101	100	97	96	93	96
Denmark [c]	..	..	..	..	..	99	94	94	98	98	101	101	116	117	..
France	103	104	101	103	106	102	101	99	99	99	103	108	111	114	122
Western Germany	111	116	123	132	147	108	112	116	122	131	106	109	121	131	138
Italy	100	100	103	106	110	101	101	101	102	103	..	..	..	..	..
Netherlands	107	109	111	119	126	103	100	103	107	110	103	95	110	..	..
Norway	101	101	101	106	110	102	101	102	104	106	94	101	113	117	113
Sweden	103	104	97	99	103	102	99	96	97	99	103	105	107	109	..
Switzerland	112	120	118	120	128	109	112	112	113	119	115	110	114	119	125
United Kingdom [d]	104	107	108	112	118	102	102	103	106	109	99	98	99	98	..

Sources : National statistics.

[a] Estimates based on the comparison of the available months of 1955 with the corresponding period of the previous year.

[b] Index numbers for building based on 1951 = 100.

[c] Man-hours worked.

[d] Excluding Northern Ireland.

For various reasons the pressure exerted by competing claims on the building, engineering and steel industries is particularly acute. Dwellings, and other buildings constructed primarily for reasons of amenity, usually account for about one-half of the total output of the building industry.[69] The case of the metal-using industries calls for more detailed enquiry. Table 27 provides an indication of the use made in recent years in France, western Germany and the United Kingdom, of the products of these industries. Perhaps the main feature of this table is the very large expansion of the output of metal manufactures in western Germany. This has made it possible to increase very considerably supplies for investment purposes and for export, while also providing the domestic market with larger supplies of consumers' durable goods and motor-cars.

In the United Kingdom the expansion of output of these goods has been more modest; and in France, between 1952 and 1955, it has been rather small. Between 1950 and 1954 supplies of metal manufactures for investment purposes scarcely rose at all in the United Kingdom, the increase in total output being mainly used for the expanding requirements of defence and of the domestic market for motor-cars. In France there was some increase in supplies for investment purposes between 1952 and 1955; but the increase in domestic supplies of consumers' durable goods was about equal to the growth of supplies to the investment sector, and the flow of passenger cars to the home market also increased considerably. Both in France and in the United Kingdom deliveries by the metal-using industries for investment purposes have more recently been about equal in volume to the sum of deliveries to the defence sector and to the domestic market for consumers' goods, including motor-cars.

The problem of securing a high rate of investment is clearly bound up with that of the structural adaptation of the engineering and building industries to the claims made on them. The provision of adequate supplies for these industries of basic materials, particularly steel, and of electric power is pre-eminently a matter of expanding capacity sufficiently. This in itself requires investment and adds to the claims on the investment goods industries. In the engineering industries themselves, and in the building industry, the problem of recruiting and training suitable labour is generally more difficult than that of expanding capacity.

Changes in employment during the period 1950 to 1955 in industry as a whole, in the metal-using sector and in building are shown for a number of western European countries in Table 28. In all these countries, with the exception of Belgium and the United Kingdom, employment in building has, in fact, increased more rapidly over the period as a whole than has employment in manufacturing industry. Employment in the metal-using sector has also increased since 1950 more rapidly than total industrial employment in all the countries shown in this table. It is noticeable that the relative expansion of employment in the metal-using sector, as compared with employment in manufacturing industry as a whole, has been greatest in the Netherlands, western Germany and Belgium. In the first two of these countries, the expansion of the metal-using industries must have been facilitated by the rapid growth of the total labour force during the period; in Belgium, the strong demand for metal goods in the last two years and the generally slack demand in other sectors of the economy must have played a part in bringing this about.

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[69] Cf. Tables 29 to 42, which provide data both for construction as a whole and for dwellings.

In spite of the shifts into the building and metal-using industries that have occurred, it is in these sectors that manpower shortages have recently become most marked. The part that can be played by restraints on the growth of consumption, in assisting the process of recruitment of labour to the investment sector at times of general pressure on resources, is discussed in the following chapter.[70]

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[70] Chapter 5 discusses the problem of mobility of labour in more detail. The ineffectiveness of wage differentials in bringing about movement between occupations is referred to in Section 6 of that chapter.

Table 29

Gross national product and gross fixed investment by major components in Austria

Item	Billions of current schillings					Percentage of g.n.p. in 1954	Index numbers of volume 1951 = 100					
	1950	1951	1952	1953	1954		1950	1951	1952	1953	1954	1955 [a]
Gross national product at market prices	48.9	65.4	75.6	76.2	86.5	100.0	91	100	101	103	113	125
Of which :												
Private consumption	36.3	45.6	52.5	52.7	59.1	67.5	98	100	101	106	116	126
Public consumption	5.5	7.4	9.0	9.4	9.7	12.2	..	100	102	104	107	111
Exports of goods and services	8.0	11.6	13.3	16.8	20.6	23.5	92	100	99	135	173	182
Imports of goods and services	−10.0	−15.1	−15.1	−14.7	−18.8	−21.5	97	100	97	90	118	146
Change in stocks	−0.4	1.8	0.5	−2.7	−2.8	−3.1						
Gross fixed investment	9.5	14.1	15.4	14.7	18.7	21.4	87	100	97	87	114	138
Of which :												
Agriculture	1.1	1.5	2.5	2.2	2.4	2.7	94	100	144	122	133	
Mining, manufacturing and construction industries	2.4	4.9	4.5	3.6	6.8	7.8	70	100	84	67	119	
Trade and other services												
Transport and communications	1.2	1.8	2.0	2.2	2.3	2.6	86	100	100	95	110	
Electricity, gas and waterworks	1.3	1.4	1.5	1.5	1.5	1.7	106	100	94	81	94	
Public administration	1.5	1.9	1.9	1.8	1.7	2.0	105	100	86	82	77	
Dwellings	2.0	2.6	3.0	3.4	4.0	4.6	93	100	100	107	133	
Construction	5.2	8.0	7.6	7.2	8.9	10.2	85	100	89	82	100	
Transport equipment	0.9	1.3	1.8	1.7	2.4	2.7	93	100	121	107	171	
Other equipment	3.4	4.8	6.0	5.8	7.4	8.5	89	100	103	90	121	

Sources : See Appendix C.

[a] Official forecast made early in the year.

Table 30

Gross national product and gross fixed investment by major components in Belgium

Item	Billions of current francs					Percentage of g.n.p. in 1954	Index numbers of volume 1950 = 100				
	1950	1951	1952	1953	1954		1951	1952	1953	1954	1955 [a]
Gross national product at market prices	348	400	418	421	436	100.0	105	106	110	112	115-116
Of which :											
Private consumption	265	281	290	296	309	70.9	100	101	101	103	
Public consumption	38	47	56	59	59	13.5	116	128	135	135	
Exports of goods and services	98	152	149	139	145	33.3	120	120	130	139	
Imports of goods and services	−110	−144	−138	−135	−143	−32.8	108	107	110	119	
Change in stocks	—	8	5	4	5	1.1					
Gross fixed investment	56	56	56	58	61	14.0	90	86	92	97	
Of which :											
Agriculture	2	3	2	2	2 *	0.6	113	109	109	109 *	
Mining, manufacturing and construction industries	21	22	23	22	23 *	5.2	96	94	93	97 *	
Electricity, gas and waterworks											
Transport and communications	11	10	12	12	13 *	3.0	81	88	95	102 *	
Trade and other services											
Public administration	9	9	8	8	8 *	1.8	99	83	88	84 *	
Dwellings	13	12	11	14	15 *	3.4	106	110	109	121 *	
Construction	31	31	28	32	34	7.8	92	82	93	101	
Transport equipment	6	5	6	5	6	1.4	91	98	95	107	
Other equipment	19	20	22	21	21	4.8	87	89	91	89	

Sources : See Appendix C.

[a] Official forecast made early in the year.

TABLE 31

Gross national product and gross fixed investment by major components in Denmark

Item	Billions of current kroner					Percentage of g.n.p. in 1954	Index numbers of volume 1950 = 100			
	1950	1951	1952	1953	1954		1951	1952	1953	1954
Gross national product at market prices	21.4	23.2	24.6	26.3	27.5	100.0	100	101	106	108
Of which :										
Private consumption	15.5	16.7	16.9	17.9	19.1	69.5	97	97	101	106
Public consumption	2.2	2.6	3.0	3.2	3.4	12.4	109	114	121	125
Exports of goods and services	6.1	7.9	8.0	8.3	8.9	32.4	113	110	121	132
Imports of goods and services	−6.9	−8.1	−7.8	−8.2	−9.4	−34.2	94	92	105	124
Change in stocks	0.9	—	—	0.3	0.3	1.0				
Gross fixed investment	3.6	4.1	4.5	4.8	5.2	18.9	98	101	108	116
Of which :										
Agriculture	0.5	0.6	0.7	0.6	0.7	2.3	113	114	104	108
Mining, manufacturing and construction industries	1.0	1.1	1.1	1.2	1.3	4.8	99	96	99	107
Electricity, gas and waterworks	0.2	0.3	0.3	0.3	0.2	0.8	93	89	88	72
Trade and other services	0.3	0.3	0.3	0.3	0.3	1.1	96	97	96	99
Transport and communications	0.7	0.8	1.0	1.1	1.2	4.4	94	109	126	132
Public administration	0.3	0.3	0.4	0.5	0.6	2.1	96	102	129	159
Dwellings	0.6	0.7	0.7	0.8	0.9	3.3	89	93	109	122
Construction	1.5	1.7	1.8	2.0	2.2	8.0	94	96	109	117
Transport equipment Other equipment	2.1	2.4	2.7	2.8	3.0	10.8	101	104	108	116

Sources : See Appendix C.

TABLE 32

Gross national product and gross fixed investment by major components in Finland

Item	Billions of current marks					Percentage of g.n.p. in 1954	Index numbers of volume 1950 = 100				
	1950	1951	1952	1953	1954		1951	1952	1953	1954	1955[a]
Gross national product at market prices	495	731	744	758	828	100.0	109	107	113	122	129
Of which :											
Private consumption[b]	311	432	470	463	504	60.8	111	115	113	123	139
Public consumption	60	75	85	92	97	11.7	99	108	115	118	121
Exports of goods and services	106	225	195	156	183	22.2	121	109	109	126	136
Imports of goods and services	−102	−177	−205	−142	−168	−20.3	126	153	115	141	166
Change in stocks	. .	. .	. .	. .	. .	. .					
Gross fixed investment	120	176	199	189	212	25.6	111	119	117	130	145
Of which :											
Agriculture	. .	25	28	25	27	3.3					
Mining, manufacturing and construction industries Electricity, gas and waterworks	. .	45	49	43	62	7.5					
Trade and other services	. .	16	15	9	12	1.4					
Transport and communications	. .	22	27	21	20	2.4					
Public administration	. .	22	27	35	34	4.1					
Dwellings	. .	46	53	56	57	6.9					

Sources : See Appendix C.

[a] Official preliminary results for 1955 communicated in February 1956.

[b] Including changes in stocks.

TABLE 33

Gross national product and gross fixed investment by major components in France

Item	Billions of current francs					Percentage of g.n.p. in 1954	Index numbers of volume 1952 = 100					
	1950	1951	1952	1953	1954		1950	1951	1952	1953	1954	1955[a]
Gross national product at market prices	9 610	11 950	14 140	14 530	15 390	100.0	93	97	100	103	108	114
Of which :												
Private consumption	6 430	8 090	9 440	9 750	10 310	67.0	92	97	100	104	109	115
Public consumption	1 370	1 760	2 290	2 400	2 410	15.6	84	87	100	101	100	96
Exports of goods and services	−60	−200	2 100	2 127	2 336	15.2	..	..	100	105	118	..
Imports of goods and services			−2 370	−2 257	−2 386	−15.5	..	..	100	101	106	..
Change in stocks	313	180	298	137	150	1.0						
Gross fixed investment	1 558	2 124	2 377	2 375	2 571	16.7	98	104	100	101	110	119
Of which :												
Agriculture	..	..	249	251	265	1.7	..	..	100	102	108	114
Mining, manufacturing and construction industries	..	..	645	608	605	3.9	..	..	100	95	95	99
Trade and other services	..	..	133	141	151	1.0	..	..	100	107	115	114
Transport and communications	..	..	359	380	406	2.7	..	..	100	107	115	125
Electricity, gas and waterworks	..	..	237	207	214	1.4	..	..	100	88	92	99
Public administration	..	..	250	261	297	1.9	..	..	100	105	121	134
Dwellings	238	390	504	527	633	4.1	72	92	100	106	126	146
Construction	761	1 053	1 206	1 198	1 332	8.6	96	104	100	100	112	124
Transport equipment	249	364	388	397	414	2.7	93	108	100	103	108	120
Other equipment	548	707	783	780	825	5.4	102	104	100	101	107	111

Sources : See Appendix C.

NOTE. — Fixed capital formation, and so also gross national product, includes some repairs and maintenance which would normally be excluded in accordance with the OEEC standardized system of national accounts. The amounts involved, which it is not possible to distribute among the various sectors, can be roughly estimated as follows: (billions of francs) 1950 = 270; 1951 = 350; 1952 = 410; 1953 = 420; 1954 = 430.

[a] Official estimates based on provisional results and published in December 1955.

TABLE 34

Gross national product and gross fixed investment by major components in Western Germany

Item	Billions of current DM					Percentage of g.n.p. in 1954	Index numbers of volume 1950 = 100				
	1950	1951	1952	1953	1954		1951	1952	1953	1954	1955[a]
Gross national product at market prices	89.8	113.6	126.0	134.3	145.5	100.0	117	124	133	145	160
Of which :											
Private consumption	57.3	65.1	70.7	75.7	81.7	56.1	108	117	128	139	150
Public consumption	14.6	18.4	22.6	22.4	24.0	16.5	110	126	123	131	144
Exports of goods and services	12.0	19.6	23.4	26.4	31.6	21.8	136	154	181	223	261
Imports of goods and services	−13.4	−17.6	−20.3	−22.2	−27.4	−18.8	105	127	154	196	245
Change in stocks	1.3	5.6	4.9	4.3	5.0	3.4					
Gross fixed investment	18.0	22.5	24.7	27.7	30.6	21.0	108	109	126	141	163
Of which :											
Agriculture	1.8	2.2	2.2	2.2	2.5	1.7	107	96	99	110	
Mining, manufacturing and construction industries	6.0	7.4	7.9	8.7	9.0	6.2	104	103	115	123	
Trade and other services	1.5	1.8	2.0	2.3	2.6	1.8	113	107	128	143	
Transport and communications	2.2	2.6	2.6	2.9	3.3	2.3	100	97	110	132	
Electricity, gas and waterworks	1.5	2.1	2.5	2.7	2.8	1.9	116	131	146	156	
Public administration	1.1	1.2	1.3	1.6	1.7	1.1	98	100	123	128	
Dwellings	3.9	5.2	6.2	7.3	8.7	6.0	115	128	158	187	
Construction	8.5	10.4	11.0	13.1	14.3	9.8	105	104	128	139	153
Transport equipment Other equipment	9.5	12.1	13.7	14.6	16.3	11.2	109	114	124	142	173

Sources : See Appendix C.

[a] Estimates for the whole year based on provisional results for the first nine months.

TABLE 35

Gross national product and gross fixed investment by major components in Greece

Item	Billions of current drachmae					Percentage of g.n.p. in 1954	Index numbers of volume 1950 = 100				
	1950	1951	1952	1953	1954		1951	1952	1953	1954	1955[a]
Gross national product at market prices	28.7	34.3	36.0	48.2	55.4	100.0	109	108	128	130	134
Of which :											
Private consumption	24.0	27.2	28.9	38.3	44.9	81.1	104	105	119	120	
Public consumption	3.7	5.0	5.3	5.7	7.2	13.0	114	110	114	129	
Exports of goods and services	2.0	2.2	2.6	5.0	7.0	12.5	118	146	181	235	
Imports of goods and services	−7.0	−6.5	−5.7	−8.0	−10.7	−19.4	85	72	71	81	
Change in stocks	0.9	1.8	0.5	1.7	−0.4	−0.7					
Gross fixed investment	5.1	4.6	4.4	5.5	7.4	13.5	79	73	84	101	
Of which :											
Agriculture	0.5	0.6	0.4	0.4	0.6	1.0	93	60	60	69	
Mining, manufacturing and construction industries	0.8	0.9	0.8	0.8	0.9	1.6	97	93	61	55	
Trade and other services	0.5	0.5	0.6	0.8	1.1	2.0	99	103	131	79	
Transport and communications	1.3	0.7	0.5	0.6	1.1	2.1	47	35	51	83	
Electricity, gas and waterworks	0.1	0.5	0.4	0.7	1.1	2.1	334	250	384	544	
Public administration	0.3	—	0.3	0.3	0.2	0.3	12	62	68	36	
Dwellings	1.6	1.4	1.4	1.9	2.4	4.4	77	74	94	130	
Construction	3.1	2.9	3.1	4.0	5.0	9.2	80	81	100	112	
Transport equipment	0.9	0.3	0.2	0.5	0.8	1.4	33	23	58	88	
Other equipment	1.1	1.4	1.1	1.0	1.6	2.9	113	88	62	80	

Sources : See Appendix C.

[a] Provisional.

TABLE 36

Gross national product and gross fixed investment by major components in Italy

Item	Billions of current lire					Percentage of g.n.p. in 1954	Index numbers of volume 1950 = 100				
	1950	1951	1952	1953	1954		1951	1952	1953	1954	1955[a]
Gross national product at market prices	8 618	10 009	10 633	11 616	12 338	100.0	109	110	118	123	132
Of which :											
Private consumption	6 186	7 062	7 645	8 317	8 723	70.7	105	109	118	121	127
Public consumption	859	1 047	1 287	1 355	1 403	11.4	115	133	134	138	..
Exports of goods and services	963	1 279	1 160	1 337	1 419	11.5	114	106	128	130	143
Imports of goods and services	−1 033	−1 437	−1 569	−1 677	−1 650	−13.4	108	121	140	138	148
Change in stocks	123	223	−10	30	35	0.3					
Gross fixed investment	1 520	1 835	2 120	2 254	2 408	19.5	111	123	130	138	157
Of which :											
Agriculture	180	265	270	310	337	2.7					
Mining, manufacturing and construction industries	420	535	620	590	570	4.6					
Trade and other services	90	115	120	120	132	1.1					
Transport and communications	270	270	310	358	386	3.1					
Electricity, gas and waterworks	150	165	160	150	180	1.5					
Public administration	160	175	215	260	242	2.0					
Dwellings	250	310	425	466	561	4.5	110	142	154	179	

Sources : See Appendix C.

[a] Official estimates made in December 1955.

TABLE 37

Gross national product and gross fixed investment by major components in the Netherlands

Item	Billions of current guilders					Percentage of g.n.p. in 1954	Index numbers of volume 1950 = 100				
	1950	1951	1952	1953	1954		1951	1952	1953	1954	1955[a]
Gross national product at market prices	19.7	22.1	23.2	24.6	26.6	100.0	101	103	112	117	121
Of which :											
Private consumption	12.4	13.5	13.7	14.2	15.5	58.2	97	99	102	108	
Public consumption	2.9	3.3	3.5	3.8	4.2	15.9	104	105	116	122	
Exports of goods and services . .	8.2	11.5	12.1	12.3	13.5	50.4	117	122	141	163	
Imports of goods and services . .	−9.4	−11.6	−10.3	−10.9	−13.2	−49.3	101	90	107	138	
Change in stocks	1.7	1.1	−0.7	0.2	0.9	3.5					
Gross fixed investment	3.9	4.3	4.9	5.0	5.7	21.3	95	101	108	122	
Of which :											
Agriculture	0.3										
Mining, manufacturing and construction industries	1.0										
Trade and other services . . .	0.5										
Transport and communications	0.7										
Electricity, gas and waterworks	0.3										
Public administration	0.4	0.4	0.5	0.7	0.6	2.1	90	90	140	110	
Dwellings	0.7	0.7	0.8	0.9	0.9	3.5	94	100	106	112	
Construction	1.7	1.8	2.1	2.3	2.4	9.0	93	98	114	114	
Transport equipment	0.5	0.5	0.7	0.7	0.9	3.2	96	102	102	127	
Other equipment	1.7	2.0	2.1	2.0	2.4	9.1					

Sources : See Appendix C.

[a] Official forecast made early in the year.

TABLE 38

Gross national product and gross fixed investment by major components in Norway

Item	Billions of current kroner					Percentage of g.n.p. in 1954	Index numbers of volume 1950 = 100				
	1950	1951	1952	1953	1954		1951	1952	1953	1954	1955[a]
Gross national product at market prices	15.3	19.2	21.0	21.2	22.8	100.0	104	107	110	114	117
Of which :											
Private consumption	10.0	11.3	12.5	13.1	14.1	61.6	100	105	108	113	117
Public consumption	1.7	2.1	2.5	2.8	3.0	13.2	105	109	118	122	118
Exports of goods and services . .	5.8	8.8	8.8	8.0	8.7	38.5	110	110	115	127	135
Imports of goods and services . .	−6.7	−8.6	−8.9	−9.1	−10.0	−43.6	110	106	112	125	133
Change in stocks	0.1	0.7	0.2	−0.1	−0.2	−1.1					
Gross fixed investment	4.4	4.9	5.9	6.5	7.2	31.4	101	104	112	118	123
Of which :											
Agriculture	0.4	0.6	0.6	0.6	0.7	3.1	117	109	105	115	
Mining, manufacturing and construction industries	0.9	1.0	1.2	1.2	1.3	5.8	96	109	111	116	
Trade and other services . . .	0.3	0.3	0.4	0.5	0.6	2.5	116	136	140	171	
Transport and communications	1.4	1.4	1.6	2.0	2.3	9.9	94	89	101	106	
Electricity, gas and waterworks	0.3	0.4	0.4	0.4	0.4	1.9	100	104	109	106	
Public administration	0.3	0.3	0.5	0.6	0.7	2.8	97	103	121	137	
Dwellings	0.8	0.9	1.2	1.2	1.2	5.4	106	120	128	126	125
Construction	2.1	2.3	2.9	3.2	3.4	14.6	100	109	117	122	126
Transport equipment	1.4	1.6	1.8	2.0	2.4	10.6	102	93	102	110	123
Other equipment	0.9	1.0	1.2	1.3	1.4	6.2	98	116	117	126	

Sources : See Appendix C.

[a] Official preliminary results for 1955 published in January 1956.

TABLE 39

Gross national product and gross fixed investment by major components in Portugal

Item	Billions of current escudos					Percentage of g.n.p. in 1954	Index numbers of volume 1950 = 100				
	1950	1951	1952	1953	1954		1951	1952	1953	1954	1955[a]
Gross national product at market prices	44.8	48.4	47.0	48.0	49.5	100.0	102	102	107	109	111
Of which :											
Private consumption	36.8[b]	39.5[b]	37.2	37.3	38.6	78.0	98	96	99	99	101
Public consumption	4.3	4.4	4.4	5.1	5.5	11.1	102	104	120	129	139
Exports of goods and services	6.3	8.9	8.3	7.8	9.0	18.2	115	100	104	126	125
Imports of goods and services	−8.0	−9.9	−10.5	−10.0	−10.8	−21.8	96	99	102	107	112
Change in stocks	..	..	1.7	1.1	0.4	0.8					
Gross fixed investment	5.4	5.5	5.9	6.6	6.8	13.7	103	111	123	130	138

Sources : See Appendix C.

[a] Official forecast made early in the year.

[b] Including stock changes.

TABLE 40

Gross national product and gross fixed investment by major components in Sweden

Item	Billions of current kronor					Percentage of g.n.p. in 1954	Index numbers of volume 1950 = 100				
	1950	1951	1952	1953	1954		1951	1952	1953	1954	1955[a]
Gross national product at market prices	28.8	35.4	38.7	39.9	41.9	100.0	100	103	107	113	116
Of which :											
Private consumption	19.5	22.1	24.4	25.2	26.4	63.0	99	102	105	109	112
Public consumption	4.0	5.0	6.1	6.6	7.1	16.9	105	112	119	124	128
Exports of goods and services	6.3	10.1	9.1	8.5	9.0	21.5	104	95	99	108	114
Imports of goods and services	−6.1	−9.2	−9.0	−8.2	−9.2	−21.9	119	109	108	122	134
Change in stocks	−0.2	1.0	0.9	−0.3	−0.2	−0.5					
Gross fixed investment	5.3	6.4	7.2	8.1	8.8	21.0	99	100	115	129	134
Of which :											
Agriculture	0.4	0.5	0.5	0.5	0.5	1.2	98	95	95	99	94
Mining, manufacturing and construction industries	1.5	1.8	1.7	1.5	1.8	4.4	95	81	73	93	100
Trade and other services	0.1	0.1	0.1	0.2	0.3	0.7	98	90	162	238	
Transport and communications	1.2	1.5	1.9	2.4	2.2	5.2	121	124	161	159	
Electricity, gas and waterworks	0.4	0.5	0.7	0.8	0.8	2.0	89	126	144	146	
Public administration	0.4	0.5	0.7	0.9	1.0	2.5	97	114	147	179	
Dwellings	1.3	1.5	1.6	1.8	2.1	5.0	90	91	107	124	123
Construction	3.1	3.7	4.4	5.0	5.5	13.1	96	105	123	137	
Transport equipment	0.7	1.0	1.0	1.4	1.3	3.1	127	110	152	161	
Other equipment	1.5	1.7	1.8	1.7	2.0	4.8	94	86	83	98	

Sources : See Appendix C.

[a] Official preliminary results for 1955 published in January 1956.

TABLE 41

Gross national product and gross fixed investment by major components in Turkey

Item	Billions of current Turkish pounds					Percentage of g.n.p. in 1954	Index numbers of volume 1950 = 100			
	1950	1951	1952	1953	1954		1951	1952	1953	1954
Gross national product at market prices	10.4	12.3	14.3	16.8	16.7	100.0	115	125	139	126
Of which :										
Private consumption	..	9.7	11.4	13.3	13.1	78.4				
Public consumption	..	1.5	1.6	1.8	2.0	12.0				
Exports of goods and services	..	0.9	1.0	1.1	0.9	5.4				
Imports of goods and services	..	−1.1	−1.5	−1.5	−1.4	−8.4				
Change in stocks	..	..	..	..	..	..				
Gross fixed investment	1.0	1.3	1.8	2.1	2.1	12.6				
Of which :										
Construction	0.7	0.8	1.0	1.4	..	..				
Transport equipment	0.3	0.5	0.8	0.7	..	..				
Other equipment										

Sources : See Appendix C.

TABLE 42

Gross national product and gross fixed investment by major components in the United Kingdom

Item	Billions of current pounds					Percentage of g.n.p. in 1954	Index numbers of volume 1950 = 100				
	1950	1951	1952	1953	1954		1951	1952	1953	1954	1955[a]
Gross national product at market prices	13.3	14.5	15.7	16.8	17.9	100.0	104	104	107	112	116
Of which :											
Private consumption	9.4	10.1	10.6	11.2	11.9	66.2	99	98	102	106	110
Public consumption	2.1	2.4	2.9	3.1	3.1	17.6	108	120	123	121	119
Exports of goods and services	3.4	4.0	4.1	3.9	4.2	23.1	105	103	101	109	
Imports of goods and services	−3.1	−4.4	−3.9	−3.8	−4.0	−21.8	112	103	108	113	
Change in stocks	−0.2	0.6	—	0.1	0.2	1.2					
Gross fixed investment	1.7	1.8	2.0	2.3	2.5	13.7	98	98	111	116	129
Of which :											
Agriculture	0.1	0.1	0.1	0.1	0.1	0.5	94	77	79	82	
Mining, manufacturing and construction industries	0.5	0.6	0.6	0.7	0.8	4.0	103	101	103	109	
Trade and other services	0.2	0.2	0.2	0.2	0.2	1.1	90	75	87	100	
Transport and communications	0.2	0.2	0.2	0.3	0.3	1.5	87	80	100	102	
Electricity, gas and waterworks	0.2	0.2	0.2	0.2	0.3	1.7	99	98	107	119	
Public administration	0.2	0.2	0.2	0.2	0.2	1.3	102	98	101	105	
Dwellings	0.3	0.3	0.5	0.6	0.6	3.6	101	123	156	158	143
Construction	0.8	0.8	1.0	1.2	1.2	7.0	97	107	122	128	
Transport equipment	0.3	0.3	0.3	0.3	0.4	2.0	86	76	97	107	
Other equipment	0.6	0.7	0.7	0.8	0.9	4.7	105	97	102	105	

Sources : See Appendix C.

[a] Provisional estimates published in December 1955 by the London and Cambridge Economic Service.

Chapter 3

THE INVESTMENT PROBLEMS OF WESTERN EUROPE : THE POLICY ISSUES

1. Introduction — The right balance

Virtually all governments of western Europe are committed, in principle, to the need for a high rate of investment. In practice, too, their policies have generally been directed towards this objective. During the past year, however, the belief has become fairly widespread that the expansion of economic activity has come to press too hard against available resources, and restrictionist measures, particularly affecting investment, have been taken in a number of countries and are actively discussed in others. The main considerations influencing governments in this direction appear to have been (*a*) fear of rising wages and prices—disliked partly for their own sake and partly for their effects on balances of payments—and (*b*) fear of the direct effects of an excess of demand on balances of payments.

While the necessity at present for corrective measures of some kind is apparent in a few cases—less so in others—restrictions on investment point to a basic conflict between the immediate objective of solving balance-of-payments problems by such means and the long-term objective of achieving economic progress through a rising rate of capital formation. This conflict is apparent in a number of countries and attempts to resolve it vary from country to country. In Norway and Austria investment rates are relatively high—as is shown in Section 2 of Chapter 2—but the need for high rates of investment to bring about long-term changes in the pattern of production is correspondingly great. In Denmark the conflict is more acute, since the investment rate is lower and the balance-of-payments position is even more difficult. Policy is now being directed towards avoiding further restriction of investment and alleviating balance-of-payments difficulties in the short run by reducing consumption through additional taxation.[1]

In the United Kingdom, the investment rate is very low, particularly for net fixed investment,[2] and only recently special efforts were being made to stimulate an increase, particularly in industrial investment. In the early days of the present phase of dear money it was hoped that monetary restraint would put the balance of payments right without prejudice to fixed investment. Later, however, it came to be recognized that the measures taken did imply a limitation or reduction of fixed investment, but a distinction was made between productive and unproductive investment which seems to call for much more discriminatory measures of restraint than those actually imposed. The idea of postponement, as opposed to cancellation, of investment projects is now prominent as a means of softening the conflict between immediate and longer-term requirements.

In a number of other countries—such as France, Belgium and Italy—the balance-of-payments position appears to be much more satisfactory, but there is still a need positively to stimulate investment if adequate long-term rates of expansion are to be achieved. Only in a very few countries—among which western Germany and Switzerland are outstanding—does it appear both that there is little need for significant restraints on internal activity and that investment rates are already high.

The conflict between long-term and immediate objectives is enhanced by the cumulative character of economic development. If only a high rate of productive investment can once be established, the consequent improvements in productivity will provide the necessary resources to keep it going. This indicates the fundamental problem for countries in which incomes per head are low—the mere fact that they are low presents a barrier to their rising at all rapidly—and provides the case for financial assistance from abroad despite the capital charges which may thus be incurred for the future. More generally, too, the question arises whether temporary restraints on consumption imposed for a period of time may not be fully justified by the consequent progressive improvement in future standards of living.

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[1] " From a long-term point of view . . . it must be an important objective of economic policy to facilitate all productive investments. Only such a policy will ensure expansion of productive capacity and improvements in the ability to meet foreign competition which are necessary to create more jobs and to raise the standard of living. The heavy influx of young persons into the labour market in the coming years underlines the need for such expansion ". (*Economic Survey of Denmark 1955*, p. 26.)

[2] See Table 22.

There is also a different kind of conflict which has to be faced. The operation of the system of private enterprise depends fundamentally on the character of business men's expectations. When demand is active, and profits are good, business men tend to be optimistic about the future and are anxious to invest. When trade is slack, the spirit of enterprise languishes. The record of the past few years for most European countries illustrates the essential disharmony between the means and the end. When the urge to invest is strong, the physical resources required for additional investment are lacking. When there are unused physical resources, it is difficult to overcome the reluctance of business men to embark on investment projects.[3] The disharmony would be less if governments and monetary authorities were readier to overcome this reluctance by expansion of credit and by other forms of stimulus, but at best the possibilities are limited. The disharmony is aggravated by the natural tendency of governments to take up slack in the economic system by expansion of amenity investment, and of other public investment which may not be urgent in character, and by making tax concessions calculated to increase consumption. This is done partly to avoid waste and partly to stimulate business men's confidence in the future of demand and profits; but the result is that, when demand does recover, resources which might have been taken up by highly productive investment have become committed elsewhere.

The ideal would be to strike the right balance between too much pressure of demand and too little. But " our path is narrow : no broad margin separates too little from too much activity ".[4] It is very difficult to hit the right point of balance, still more difficult to stay there. While policies may at times err in the expansionist direction, the greater risk seems to be that they will be more restrictionist in their effects on investment than they need be or less positively expansionist than they could be, with resulting losses in current production and the expansion of productive capacity.

How high a rate of investment and of general economic activity can be achieved is partly a question of the behaviour of wages. It is also partly a question of the balance of payments. In all cases there is the need for accurate assessment of the limiting factors—whether manpower or physical capacity—affecting the production of capital goods and consumer goods. Beyond these considerations affecting the possibility of securing a greater total production, to which investment would contribute a share, there arises the question of additional saving so that capital goods may form a greater part, and consumer goods a smaller part, of total output. Finally, consideration must be given to the main instruments, especially fiscal policy and monetary and credit policy, which the authorities may use in influencing the rate of investment in the desired direction. These questions form the subject matter of the following sections in this chapter.

2. The attitude of the wage-earners

The objective considerations

The well-being of the wage-earning class is heavily involved in investment policy. Starting from a situation in which there is a significant slack in the use of manpower and physical capacity, an increase in investment may be expected to bring a rise also in production and employment in the consumer-goods sector and in total real income for labour as a whole. Real wages per worker may also rise as production costs decline with the fuller utilization of capacity, if part of the benefit accrues to wage rates as against profits. If, however, investment rises beyond the point at which the supply of consumer goods becomes inelastic because of limitations of productive resources, prices of consumer goods will rise relatively to wages as total activity and total demand increase, so that real wage rates and possibly real earnings per worker decline. If the limitations on the further expansion of output are fairly severe—a rise in investment requiring a shift away from consumer goods—aggregate real earnings for labour as a whole may be lower. These decreases, it must be noted, are all relative to the levels of current income that would have been possible, at any particular moment, under different policies with less allocated to investment; and, measured through time, they may be compensated by the regular increase in average productivity.

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[3] For the Italian Ten-year Development Programme, it is pointed out that " a large part of the new employment requires . . . that industrialists shall be convinced that profitable opportunities exist for expansion and new economic enterprises ", and reference is made to " the possibility that the stimulus created by the increased investment in the so-called ' impulse ' and ' control ' sectors will not lead to the expansion of private industry on the scale, or of the type necessary ". (From a report of an OEEC Committee on the Ten-Year Development Programme adopted by the OEEC Council on 10 June 1955 (Press Releases A(55) 25 and 26).

[4] Address of the Norwegian Prime Minister to the Storting, 20 June 1955 (*Norges Bank Bulletin*, 1955, No. 2).

Against these sacrifices that may be entailed in a high level of investment stand the additional improvements in future productivity, and therefore in real wages, and the direct benefits of amenity investment such as the provision of dwellings and electric power for domestic use. In addition, in countries with expanding populations such as Italy, Greece, Turkey, the Netherlands and, until recently, western Germany, there are the added opportunities for employment in the future provided by extra capital equipment.

The question is how the balance is struck between current sacrifice, if any, and future gain. Ideally, a government endeavouring to achieve a high rate of investment would try, in the light of such estimates as could be made of the relevant factors, to steer a middle course between sacrificing too much and sacrificing too little for the benefit of the future. It would be difficult to decide on the right course, but the difficulties are similar to those underlying many other policy decisions.

In reaching its decisions the government would doubtless wish to have the advice and support of the workers with respect to any temporary sacrifice that they might be asked to make. Its proposals would accordingly need to be formulated with the help of such rough quantitative guidance as might be available on the main issues involved. Suppose, for example, that under conditions of full employment an addition to the stock of productive capital could be expected each year to add to the net national product by roughly 25 per cent of the additional capital, and that roughly two-thirds of this could be expected to accrue to real wages. Then the workers' representatives might be asked whether they would agree that, instead of, say, the 1½ per cent a year cumulative rise of real wages on which they ordinarily relied, it would be worth while for a period of six years to accept a rise of only ½ per cent a year. The result would be an aggregate sacrifice equivalent to rather more than 20 per cent of one year's wages spread over the 6-year period. This would mean, however, that after the end of the six years not only could the usual trend of real wages be resumed, but from then on the real wage could be expected to be over 3 per cent higher than it would have been had the six-year austerity plan not been carried out. Alternatively, the additional productivity resulting from the fulfilment of the plan might be devoted for a further period to investment rather than immediate consumption.

The issue can, of course, be presented in much simpler form. It simply is whether for the sake of a return in real wages of some 16 per cent a year (on the basis of the foregoing illustrative figures) it is worth the while of the wage-earners to make a temporary sacrifice. Put in that form, a short-term austerity programme might appeal to wage-earner as individuals and not merely to those who try t serve their interests.

The behaviour of wages

In practice, the issue of current sacrifice versu future gain is not presented at all, and certainly no in such quantitative terms. This in itself would seem to be a defect of procedure. But what is much more serious is that governments, and monetary authorities are strongly influenced in their decisions on investment policy by the behaviour of money wage rates and by the behaviour of prices which, in turn, is relate to the behaviour of wages. The dominance ove investment policy of wage and price movement could be justified on one or other of two assumptions

(1) One such assumption is that any upwar movement of money wages is to be accepted as a indication that the wage-earners concerned ar dissatisfied with their real wage ; that they ar pressing determinedly for a certain improvement with adequate appreciation of the reduction in th rate of investment required to effect such an improvement if it is to be an all-round one, and wit adequate appreciation of the reaction on futur real wages of such a reduction in the rate of investment. On such an assumption investment polic would have to take second place and, strictl speaking, investment could be increased only i money wages actually fell.

(2) The other assumption which might, in th present context, justify the importance attribute to wage and price movements is that no movement of any significance take place until the pressure o demand is unduly heavy and that then the viciou spiral of wage and price increases sets in emphatically.

The first assumption is very far removed from th truth. In terms of the three kinds of wage movemen to be discussed in Chapter 5, it is only the compensatory wage movement which could under any circumstances comply with it—this is the movement whic takes place in response to a preceding increase i the cost of living. An autonomous wage movemen may result simply from the desire of each trade unio to re-establish the *relative* position of its members wages compared with those of other workers. demand-induced wage movement may carry wage up under the pressure of competitive bidding fo labour by employers, with the wage-earners themselves playing a passive role.

On *a priori* grounds any such discontinuity in the behaviour of wages and prices as is involved in the second assumption is most unlikely. This will be borne out by the discussion in Chapter 5 of actual wage movements and the manner in which they come about. What is also significant is that, in the experience of western Europe in the past seven years, money wages seem on the whole to rise as fast in systems in which there is slack as they do with levels of virtually full employment, although there is clearly some connexion between the level of employment and the rate at which wages rise. This illustrates the danger of relying on wage movements as an indication whether or not a higher rate of investment is desirable.

To the authorities, however, wage movements have a wider significance. In the first place, they may constitute a serious threat to the balance of payments. Here it is wage movements relative to those in competing and customer countries which are decisive, due allowance being made for relative changes in productivity. One question relevant to the whole of the present analysis is the extent to which the authorities, in regulating investment policy, are concerned chiefly with the balance of payments. In so far as this is their sole concern, all is well so long as countries keep in step. This is part of the explanation of the fact that it has been possible in recent years to work towards a high level of employment in most western European countries. But once the alarm is sounded the fear of moving ahead relatively too fast plays a large part in dictating policy. " If we are to compete successfully in overseas markets, we cannot afford to be an inflationary island in a non-inflationary world."[5] If this is feared in each country in turn, disinflationary policy receives a competitive impetus and is thus extended to countries which enjoy perfectly satisfactory balances of payments. The governor of the Swedish Riksbank recently issued a warning that, if other countries succeeded with their restrictive measures, Sweden would have to keep wage increases within the limits set by productivity and might have to give up its full employment policy.[6]

But wage and price movements are not looked at purely from the competitive angle. Their absolute movements have a significance quite apart from possible reactions on foreign trade. There are, first of all, a number of countries where, partly for reasons of past currency experience, price stability is regarded as of primary importance and where, accordingly, the scope for initiating expansion is restricted unless wage restraint is secured without the check of unemployment. And, quite generally, it is recognized that an upward movement of prices, other at least than a modest one, brings undesirable consequences in its wake even if the same thing is happening in competing countries. The objections apply particularly to a movement which goes on so long as to be generally expected to persist, and of course they become overwhelming if there is any danger of an inflationary movement getting really out of hand.

The need for restraint

So long as wages are left to be settled by free negotiation, autonomous and compensatory wage movements are prone to exceed the rise in productivity, except where unemployment is on a sufficiently large scale to overcome the bargaining power of the trade unions. Some of the pleas for monetary restraint seem to have as their implicit premise that unemployment is the natural equilibrating force, though this view probably underrates the strength of trade unions in most countries and fails to recognize the impracticability of unemployment on such a scale as would be required to counteract it, if reliance were placed on this course.

The main reason why it has been possible in most western European countries since 1954 to work up to high rates of investment and high levels of activity without—so far at any rate—any really serious movements in the cost of living is that, in fact, the responsible workers' and employers' organizations have been conscious of the need for restraint, even though, with very few exceptions, there has been nothing resembling a wages policy. Where wage movements now look more threatening, it may not only be the result of the attainment of quite exceptionally low rates of unemployment and of the existence on a large scale of an unfulfilled demand for labour. It may also be the psychological consequence of the greater reliance placed by the authorities on the free operation of " natural " economic forces.

Success in pursuing a high level of investment largely depends on the maintenance, and if possible intensification, of restraint. In the United Kingdom, production of metal-working machine tools for the home market was 17 per cent higher in the first three quarters of 1955 than in the same period of 1954, and the total area of industrial building started was three-fifths bigger.[7] Such increases represent a valuable reinforcement to the rate of industrial development. They have been secured without any effect on real wages, apart from the appropriate adjustment which has to be made for the small adverse influence on the balance of payments attributable to the increase in the rate of investment. But it is precisely this increase which accounts for the difference between the favourable view usually taken of the state of economic balance in 1954 and the unfavourable view of developments in 1955; and the reason for the change of attitude is largely to be traced to money wage movements, threatened as well as actual.

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[5] *Bulletin for Industry*, United Kingdom Treasury, November 1955.

[6] *Svenska Dagbladet*, 7 November 1955.

[7] *The Financial Times*, 28 January 1956. These figures are quoted here merely to illustrate the developments already discussed generally for western Europe in Chapter 1.

That restraint on wage movements is desirable is generally recognized. It is also beginning to be clear, however, that, to be acceptable to workers, wage restraint would require restraint on other incomes too, and hence some kind of general economic understanding. A possible basis for an agreement might be provided by appropriate use of the instrument of taxation. If demand presses more heavily, in consequence of a higher rate of investment, not only are real wage rates kept below the level which they would otherwise attain, but profits—both profit margins and aggregate profits—are higher in real as well as in money terms. Restraint will be more acceptable to the wage earners if a considerable proportion of the additional profits is transferred to the State, so that the additional saving which matches the additional investment is largely public rather than private saving. This, even under present conditions, would be the result in some countries of tax systems which still weigh heavily on incomes derived from profits.[8] Indirect taxation may also have a part to play here. These are matters for discussion later in this chapter, as is also the more direct application of the fiscal instrument as a means of positively limiting consumption.[9]

It would also seem to be a necessary condition for a general agreement covering wages and other incomes that there should be no question of "freezing" money wages. The fact that the prices of many goods and services are established under conditions of far from perfect competition leaves room for an important influence of money wages on real wages. In particular, anything which can be described as "stickiness" of prices creates for the money wage level an important role. Where a price is sticky, the growth of productivity will tend to result in the establishment of a profit margin in excess of the minimum required to evoke the actual rate of production. But if money wages rise at least as fast as productivity, profit margins will be kept from becoming inflated and real wages will benefit accordingly.[10] A moderate upward movement of wages is to be dispensed with only if it is desired temporarily to forgo, in the interest of investment, a great part of the potential growth of real wages resulting from the progressive improvement of productivity.

It is only on the basis of an understanding of this kind—whether or not it took a form worthy of being described as a "wages policy"—that it would seem possible to secure the rate of economic development which would strike a reasonable balance between current sacrifice and future gains.

One important question is whether such an understanding should be confined to negotiated wage rates. If it were to extend to demand-induced wage movements it would require restraint on the part of employers faced with a shortage of labour. In countries in which manpower is the limiting factor rather than physical capacity, the absence of such restraint would prove a serious defect.

The implications of unemployment

It should be emphasized that the benefits of an expansionist policy are not to be measured simply by the arithmetical difference between, say, 97 per cent and 99 per cent full employment, although that difference is important enough and although the difference in unemployment is likely to conceal a considerably larger difference in effective employment. The important gain is the additional net investment. This may be the outcome not only of the higher total product but, in addition, of a lower volume of consumption than would otherwise be entailed. Section 2 of the preceding chapter has already indicated what an important contribution to productive net investment would be made by, say, an additional 3 per cent of the national product.

Where unemployment is serious, its alleviation and the associated improvement of national income form an important part of the case for an expansionist policy. But a strong deterrent is exercised, for example, in Italy, and also in Greece, by the fear of a rise of money wages. In such countries an understanding about wages, if it could be reached, would enable an investment policy to be planned which would also help reduce unemployment. If a more expansionist policy was then possible, at the temporary expense of the growth of real wage rates, it would mean that physical capacity would currently be more fully exploited, as well as being more rapidly expanded. The concomitant would be higher rates of profit. These may raise political and social objections (which should partly be met by the use of taxation), but would serve to ensure that capital development involved the adoption of more labour-intensive techniques than are dictated by present conditions.[11]

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[8] The effect in maintaining financial obstacles to investment is indicated in Chapter 4.

[9] Sections 5 and 6.

[10] It is only when the money wage level is already rising through time sufficiently fast to eliminate all unnecessary profit margins that it is true to say that a higher money wage level will be reflected entirely in higher prices and not at all in higher real wages.

There is also the effect of a higher level of money wages in increasing the wage-earners' purchasing power over goods which enter into international trade, the prices of which are partly or wholly determined by world conditions. The improvement of real wages which can come about in this way is to some extent—but only to some extent—a reflection of any improvement in the terms of trade. It is in any case secured at the expense of a deterioration in the balance of payments.

3. Investment and the balance of payments

The relation between the level of activity and the balance of payments

The question has been raised in the preceding sections to what extent economic policy, in so far as it is concerned with the pressure of demand and the level of activity, is evolved primarily with an eye to the balance of payments. It is clear that in the United States and Switzerland it is not the state of the balance of payments which at certain times, such as the present one, dictates a policy of mild restraint; and this is also true of the recent adoption of more cautious credit policies in western Germany. Sweden is also a country in which rising wage costs and rising prices arouse concern in their own right quite apart from their reactions on foreign trade; but the fear of a deterioration in the balance of payments is a powerful additional influence in instigating disinflationary policies,[12] and in this connexion it has been pointed out that Sweden's monetary reserves are very inadequate.[13] Among countries whose balances of payments are actually in deficit, the deficit seems usually to be regarded as a sufficient justification for disinflationary action. Outstanding in this category are Denmark and the United Kingdom, with Norway [14] perhaps occupying a less pronounced position.

While it is obvious that a higher level of activity will, with given productive resources, entail higher imports and smaller exports, it would be a mistake to assume too readily that at the present time any balance-of-payments difficulties afflicting European countries must be solely the result of excessive pressure of demand on productive resources. The classical mechanism of adjustment brought about by monetary restrictions may be both justifiable and sufficient in some cases, but not necessarily in all.

It is of some importance to consider whether any particular country which is faced with a balance-of-payments problem can be regarded as being in *normal* balance-of-payments equilibrium. Otherwise there is a danger that a deficit may be regarded as the justification for disinflationary measures when a more radical and more permanent solution is called for, including possibly adjustment of the exchange rate or of the industrial pattern, and requiring positive encouragement rather than discouragement of productive investment. It has been maintained that Denmark is a case in point.[15] The rapid economic development of Norway has been assisted in recent years by adverse balances financed by foreign aid and credits, and the attempt to achieve a greater degree of independence of foreign assistance will involve structural adjustments. Nor can it be said that the foreign trade position of France or Italy, Greece or Turkey, or of the United Kingdom is, each in its different way, fundamentally strong, quite apart from such additional difficulties as may be attributed to any exceptionally heavy pressure of demand. Nevertheless, several of these countries have considered it necessary to take steps during the last year or so to restrain the rate of growth of internal activity, either to deal with what appear to be regarded as pressing temporary difficulties or to hold balance-of-payments deficits within limits while more fundamental measures of adjustment are given time to take effect.

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[11] The growth of employment, the absence of which in recent years has been so disappointing, would then be fostered without the sacrifice of potential growth of income entailed in departing, in the interests of employment, from the techniques dictated by ruling rates of wages and profits.

[12] See also, for example, *Nationalbudget för år 1955*, Konjunkturinstitutet, Stockholm, 1955, p. 125, and *Economic Conditions in Denmark, Iceland, Norway and Sweden*, OEEC, October 1955, pp. 45-6, (*Seventh Report of the OEEC*, 1956).

[13] Measured in terms of the Central Bank's short-term net foreign exchange assets and liabilities, the Swedish reserves amount to about three months' import requirements, as do those of the sterling area and those of Finland. Those of Denmark and Norway are negligible. The reserves of several of the other western European countries cover about five months' import requirements, those of Austria over six months', of western Germany over seven months', of Greece almost nine months', and of Switzerland 15 months'. (See Chart 4).

[14] e.g., "... important objectives in 1955 are to limit the deficit in the external economy and to reduce the pressure on domestic prices, and on the labour market." (Reply of Norwegian Government to United Nations questionnaire on full employment and balance of payments, Economic and Social Council paper E/2726/Add.2, 13 May 1955, p. 47).

[15] See J. H. Gelting, "Le problème de la balance des paiements du Danemark ", *Bulletin bimestriel*, Société belge d'études et d'expansion, August-October 1955. Mr. Gelting shows that the balance of payments has in recent years shown a surplus only when stocks were falling or when the level of activity was exceptionally low.

Any slackening of activity is likely to have some remedial effect on a country's balance of payments. Any reduction in the demand for raw materials and consumer goods can be expected to bring about some saving in imports [16] and may release additional amounts of exportable surpluses, such as Denmark's foodstuffs and western Germany's and the United Kingdom's coal. More generally, the domestic market is less attractive when total activity and real incomes are lower. This is only partly a matter of lower prices. For manufactured goods the present and expected state of demand has an importance in itself, apart from its effect on prices. If the attractions of the domestic market are reduced, domestic producers will be driven into taking more interest in foreign markets. But the driving force is the inadequacy of the *total* demand for their products to cover the full use of their productive resources. It would be arguing in a circle to suppose that, in the short run, a lower domestic offtake can result in a fully compensatory rise of the volume of exports.

Few governments appear in fact to be contemplating any significant sacrifice of their full employment objectives. In Denmark the immediate objective is " a slackening of economic activity ", and, by comparison with the normal upward trend, some results have been achieved already. " Unemployment is likely to be somewhat above the relatively low level of 1954 as a result of " a sizable direct decline in total domestic demand."[17] In Norway, however, " although curative measures must . . . be concentrated on . . . demand ", the aim is " not to create unemployment ".[18] But in this context it is relevant that considerable disappointment has been expressed [19] with the result secured so far for the balance of payments, the alleviation of which in the latter part of 1955 is attributed to exceptionally favourable economic conditions, especially for shipping. Much the same—in relation both to aims and to disappointment—is true of the United Kingdom. " The maintenance of full employment is one of the major aims of Swedish policy ",[20] and this applies also to the disinflationary policy applied in Finland.

The effects of restrictive measures bearing primarily on investment

The desire to reduce total activity as little as possible, in order to achieve any given effect on the balance of payments, may in some countries encourage the use of measures which primarily restrain investment. In a number of countries a change in the relative part played by investment in total production may have direct effects on the balance of payments. The effects are experienced in various ways. In the first place, the industries producing capital goods are often important exporting industries and, to a far greater extent than for industry in general, a reduction of domestic offtake will result in an increase of exports. For a wide range of engineering industries, export order books have become inflated, delivery dates being postponed as a partial alternative to prices being raised to full scarcity levels. The United Kingdom provides an outstanding example.[21] Here a rapid and direct substitution of exports for goods for domestic investment is possible in a number of sectors of production. In the second place, there is a reasonable presumption in many countries that the marginal import content of investment other than building [22] is higher than that of output in general. Investment makes particularly heavy demands on certain materials such as coal and steel; and there is a wide range of instances in which equipment required for additional investment has to be imported, either because the domestic industry producing the equipment is working to full capacity or because it does not exist at all. Here again the relationship between a lower rate of investment and a more satisfactory balance of payments is immediate and fairly complete. This consideration plays a particularly significant part in the Scandinavian countries.[23]

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[16] For Sweden it has been " . . . approximately estimated that a 1 per cent rise in real income would lead to a 100 million kronor increase in imports . . ." (Reply of Swedish Government to United Nations questionnaire on full employment and balance of payments, Economic and Social Council paper E/2726, 15 April 1955, p. 99.) This is on a total import bill of some 9,300 million kronor.

[17] *Economic Survey of Denmark 1955*, pp. 24 and 28. The average percentage of unemployment among insured workers did in fact increase from 6.7 per cent in the second half of 1954 to 9.0 per cent in the same period of 1955.

[18] Address of the Norwegian Prime Minister to the Storting, 20 June 1955 (*Norges Bank Bulletin*, 1955, No. 2).

[19] e.g., by the Minister of Trade (see *Neue Zürcher Zeitung*, 30 November 1955).

[20] *Economic Conditions in Denmark, Iceland, Norway and Sweden*, OEEC, October 1955, p. 46 (*Seventh Report of the OEEC*, 1956).

[21] The reign of cheap money ended in the United Kingdom in the autumn of 1951. And, by more direct means too, investment cuts were imposed. The reason then was the shortage of steel. " No one wants to cut home investment if it can possibly be avoided . . . but, having regard to the supplies of steel which are likely, we could not avoid the investment cuts " without sacrificing exports of machinery (the Chancellor of the Exchequer, in the House of Commons, *Official Report*, 17 March 1952, col. 2053). On the present occasion, it has so far proved possible to supplement supplies of steel, but only at the cost of dollar expenditure, and it is the full production of the engineering industries which is insufficient to meet all the potential demands.

[22] But, of course, a large part of investment activity takes the form of building, either in association with or independently of the installation of plant. Here usually the import content is abnormally low. For the United Kingdom in 1950 direct imports involved in building amounted on the average to only 9 per cent of the total (gross), including imports required for the domestic production of building materials (*National Income and Expenditure 1955*, Central Statistical Office, Table 18).

A check to the growth of investment may also assist in bringing about a redistribution of labour to the benefit of exporting and import-saving industries. In the United Kingdom and the Scandinavian countries the output of important exporting industries, and of industries producing substitutes for imports, is dependent on the availability of labour. It is hoped that curtailment of investment will result in a useful diversion of manpower to such industries; and clearly this result, for the working out of which adequate time must be allowed, is capable of being very important. Structural adaptation to a change in world conditions is retarded if firms which could expand have difficulty in recruiting labour, and the effect of this may be serious if there is an absolute shortage of manpower. The degree in which the labour released from the investment sector will find alternative occupation, without some extra unemployment, depends on the extent to which there is an unfulfilled demand for labour. It is in Norway, particularly, that considerable hopes are built up on a successful redeployment of manpower, mainly at the expense of the building industry. In Denmark, on the other hand, with a much less tight labour market, the diversion to production for export cannot be expected to be at all complete in the short run.[24]

This particular form of benefit to the balance of payments may thus require some slackening of activity to facilitate a structural adjustment, but once this is complete the level of activity can be restored. A lower rate of investment can be matched by higher exports and smaller imports; but investment, unlike the rate of activity, has to remain limited. It is important therefore that governments contemplating measures to restrain investment as a cure for balance-of-payments difficulties should either be confident that those difficulties are due to temporary factors or be prepared to reckon with the fact that, in default of other remedial measures, investment will have to remain below the levels which it would otherwise have reached if the benefit to the balance of payments is to be permanent.

Finally, there arises the vital issue of the effect of changes in money wages on the competitive position of domestic producers in foreign markets, and also in the domestic market. It has already been emphasized that the changes which are here significant are relative to those in competitive and customer countries. It emerged from Section 2 that a high rate of investment may result in upward pressure on the money wage level for reasons apart from a resulting high level of activity and employment. Here again a limitation on investment is directly helpful, though any consequent increase in unemployment will contribute somewhat to keeping wages more stable.

The balance-of-payments difficulties which now face certain western European countries cannot be attributed directly to the current level of investment. In most countries of western Europe import policy had become attuned in the course of the past two or three years to a level of internal demand which was below what the available physical resources justified. More recently, with the rapid growth in rates of investment, balances of payments have in some cases become less favourable or even definitely unfavourable. It is seldom maintained that the correct remedy is to push investment back to where it was some years ago. At the moment emphasis is laid on putting a temporary stop to any further increase in the rate of investment and, in most of the countries with actually adverse balances, on getting back to the investment, of say, the beginning of 1955, rather than on any more drastic curtailment. This is partly because each country is benefiting from additional demands from the others, and the change in any one country's balance of payments is far less serious than it would have been had its rate of economic progress improved in isolation. This means, however, that a general move towards restrictions on investment, even though started gently, may run some danger of creating a snowball effect.

Use of import controls

If the rate of investment for any country can once be raised to a satisfactory level, temporary checks designed to relieve short-run disturbances in the balance of payments, or to facilitate such realignment of resources as may be needed to correct more fundamental difficulties, may be imposed without seriously prejudicing long-run developments. The problem is much more difficult for countries where the rate of investment is still very low and the need for investment very great. This possible conflict between short-run and long-run requirements suggests the desirability of considering whether it may not be appropriate in particular cases to employ other more direct means of dealing with balance-of-payments difficulties without hampering investment and future growth.

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[23] It is important to note that the argument is based throughout on the assumption that the industries in question are working to capacity, and it applies only to a period too short for any appreciable change in the level of capacity to be effected. The average direct import content of gross investment (inclusive of " repairs ") in Norway, apart from building, was in 1953 52 per cent (*Statistiske Meldinger*, 1954, No. 12), but this omits the import content of the raw materials. The inclusion of ships causes the figure to be so high.

[24] *Economic Survey of Denmark 1955*, p. 28. In the OEEC Report (op. cit.) it is stated that the resources of the building industry, on which " the reduction of home demand will primarily be concentrated . . . cannot, in the short run, be switched to production for export " (pp. 14, 15 and 16)—the need of the export industries being for an expansion of physical capacity, which is inconsistent with " any general discouragement of productive investment " (pp. 16, 17). Denmark's exports of machinery have in fact been rising very successfully in the past two years; but if any explanation other than the trend of world demand is called for, it lies in the curb on the expansion of domestic demand for machinery and not in any effect of the easing of the labour market.

Any resort to such direct controls would need to be very soundly motivated in each case. The liberalization of trade among western European countries has clearly played an important part in promoting economic progress in this area and, as discussed in Chapter 1, has helped to ensure the smooth flow of supplies and the maintenance of price stability during the upsurge of production in the past two years. These are very great gains compared with the grave impediments to trade in Europe before and after the war. Nor does it appear that, for western Europe as a whole, the removal of quantitative restrictions on imports from the rest of the world has proceeded so fast as seriously to prejudice the balance-of-payments position of the area, although the special nature of a large part of the present foreign expenditures of the United States is a continuing warning of the need for western Europe's " normal " current balance to be improved against the day when these expenditures are substantially reduced.

On the other hand, trade liberalization need not mean that reliance must in all circumstances be placed on the compression of internal activity in response to external strains. It has already become widely recognized that an exception must be made for under-developed countries seeking to expand and strengthen their economies.[25] This exception is taken into account in the new draft revision of the General Agreement on Tariffs and Trade.[26] For a country which relies on financial assistance from abroad to supplement its domestic resources, it is particularly important that its purchasing power over imports should be applied to the types of commodity which are best designed to enable economic development to be rapidly carried out without unduly depressing standards of living. This seems to call for discrimination. It is true that a suitable tariff structure can serve the needs of discrimination. But the modification of tariffs is a slow and cumbrous process, and it is difficult to estimate the tariff required to result in any desired quantity of imports. If the best tariff structure which can be devised and negotiated is backed by some measure of quantitative control, a flexible instrument is provided.

In the case of Italy, with its new development programme, an OEEC committee has pointed out that the Government " is very understandably anxious to retain . . . the very high degree of liberalization that, in accordance with the general aim of the OEEC, [it] has achieved ". But the OEEC committee has also stated that while the Government " is clearly right in attempting to solve the balance-of-payments problem by increasing exports . . . there can be no question that the task . . . which [it] has set itself will require the full energies of Italian industry and of the Italian Government ".[27]

Greece, although exempted from OEEC obligations on account of its special position, has in fact almost entirely abandoned quantitative control of imports. Indirect methods of keeping down imports are, however, resorted to, in addition to some increases of customs duties. The very tight credit policy is aimed largely at importers. Credit restrictions are imposed in such a way as to discriminate between different kinds of imports, but of course they do not affect importers who have adequate liquid resources of their own. Moreover, the importers of certain goods have to pay the full drachma equivalent into a local bank.[28]

In addition to the possibility of making judicious use of quantitative restrictions as an aid to the best allocation of resources in the difficult process of economic development, there is also the possibility that the balance-of-payments problems of other more developed countries may sometimes be more satisfactorily met by quantitative controls on imports than by the heavier and more costly weapons of general economic contraction. The decision depends partly on the cause of the balance-of-payments disturbance —whether it can be identified as due to excessive internal demand with consequent adverse effects on imports and exports, or whether, for example, it is due to exceptional difficulties arising in trade and financial relations with particular countries or to the effects of temporary fluctuations in world conditions. The decision also depends on the nature of the remedy envisaged—if the general level of internal activity and demand needs to be lowered, this may be best secured by a reduction in consumption (which could be hastened by the temporary imposition of import controls) rather than by cutting back on investment : if there is a need for more investment specifically aimed at strengthening the foreign trade position, import controls may be one appropriate means for relieving the strain until more fundamental remedies can take effect.

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[25] See Chapter 12, *Economic Survey of Europe since the War*, pp. 219-220, and Chapter 16, *Economic Survey of Europe in 1953*, p. 203.

[26] " Contracting parties the economies of which can only support low standards of living and are in the early stages of development . . . should enjoy additional facilities to enable them (*a*) to maintain sufficient flexibility in their tariff structure to be able to grant the tariff protection required for the establishment of a particular industry and (*b*) to apply quantitative restrictions for balance of payments purposes in a manner which takes full account of the continued high level of demand for imports likely to be generated by their programmes of economic development " (article XVIII of GATT as submitted under the Final Act of the Ninth Session on 10 March 1955).

[27] From a report of an OEEC committee on the Ten-Year Development Programme adopted by the OEEC Council on 10 June 1955 (Press Release A (55) 25 and 26).

[28] Similar measures are in force in Denmark and in Finland.

If import controls are appropriate in any particular case, it is preferable that the decision to impose them be taken by agreement with the other countries principally concerned. The rules of the OEEC Code of Liberalisation and of the General Agreement on Tariffs and Trade should protect any country making justifiable use of import controls against direct retaliation ; but the aim of international co-operation should be not only to obtain relief for the country needing it but also to secure that, so far as possible, the impact falls on the countries best able to absorb the strain, so as to avoid provoking a wave of restrictions. The aim should also be to make sure that import controls do not become a means of avoiding more fundamental remedies where needed.

4. THE ASSESSMENT OF THE LIMITING FACTORS

The kinds of policy which may be followed by a country anxious to expand investment to the maximum depend on the nature of the limiting factors. There is frequently considerable uncertainty as to how far use is being made of productive capacity at any moment and as to how much additional output could be forthcoming from the various sectors. In attempting to answer these questions in any particular situation, it is useful to distinguish clearly between limitations arising from the side of manpower and those arising from the side of physical capacity.

Over-all shortages of manpower

In its extreme form, an over-all shortage of manpower implies that there is a fixed amount of manpower and that all of it is employed. A higher rate of investment thus necessitates a shift in the allocation of labour and a lower production of consumer goods—if the needs of defence, other government services, etc. have to be taken as given, and a given balance-of-payments position has to be preserved. Since the general level of activity and total demand will be as high as before, prices of consumer goods may be expected to rise in relation to money wages. The necessary reduction of consumption is then effected by a shift of real income from wages to profits except in so far as this is countered by an increase in taxes.

In practice, a shortage of labour will often be in evidence although the total amount of employment is still capable of being increased. The fact that there is still some margin of unemployment does not necessarily mean that many employers would not welcome additional labour, if it were equal in efficiency to some of the labour already employed by them and was available at the ruling wage rate. The various sources of flexibility to be discussed in Chapter 5 can serve to increase the effective amount of employment as the total pressure on available manpower is intensified—particularly if the prospect that demand will remain high is sufficiently reassuring to encourage the necessary adaptations.

A significant increase in the supply of labour requires time, however, and the important characteristic of an over-all shortage of manpower, as opposed to limitations in physical capacity, is that it is much more prone to result in a wage-and-price spiral. In terms of prices and wages the situation is far less stable. The degree of stability turns not only on restraint on the part of trade unions in demanding higher wages and on reluctance on the part of employers' organizations to grant them, but far more on restraint on the part of individual employers in the face of labour shortages. Individual employers, if they respond exclusively to their own interests, will bid up wages against one another, irrespective of any desire of the workers as individuals or as members of trade unions to press for higher wages. In terms of the analysis given in Chapter 5, a shortage of manpower tends to produce a demand-induced wage movement proceeding independently of, though perhaps encouraging, any compensatory wage movement resulting from a rise of the cost of living or autonomous wage inflation initiated by trade unions.

The manpower situation is frequently characterized not so much by an over-all shortage as by shortages of specialized types of labour. These have been particularly marked in building—in many countries even at times when there was general unemployment on an appreciable scale—and also in the engineering industries, more particularly in the last year or so. It is these specific labour shortages which, more than anything else, set a limit to the desirable amount of pressure of demand for the capital goods affected by them. And as so much investment involves the use of skilled building labour the limitation is fairly comprehensive.[29] It is here that an unduly rapid upward movement of wages, eventually extending through the whole economic system, is likely to take its origin. The movement will probably carry with it increased wage differentials, but these have a disappointingly small effect in improving the supply of the scarce types of labour.[30]

Physical capacity for producing consumer goods

The possibility of a higher rate of investment is ultimately determined by limitations on the output of consumer goods. A higher rate of investment may mean a larger total of activity and of real income and hence a larger demand for consumer goods. When manpower is available and physical capacity in the consumer-goods sector is not yet too hard pressed, there is a strong case for pressing hard on the investment sector. If there is an excess of manpower in relation to the available physical capacity, the problem is to appraise the extent to which capacity is being utilized and the risks involved in endeavouring to secure a larger output of consumer goods from it as investment and over-all demand rise. As demand for consumer goods presses against the limitations of capacity, the elasticity of supply diminishes rapidly, so that costs and prices rise and real wages decline. Total real income of labour as a whole is likely, however, to be higher as employment expands, and real earnings per worker may also be higher if longer hours of work are provided.

The difficulty of diagnosis in any particular situation arises partly from the inevitable patchiness of the economic balance. While there are usually ample reserves of physical capacity in some lines of consumer-goods production—and indeed in most lines in the more developed countries—in others there may be a real shortage.[31] The rise of prices caused by a general increase in demand may be very restricted in the area to which it applies and modest in extent by comparison with the increase in the rate of investment which is the motive force. Substantial price rises for a few important commodities will, however, ordinarily provoke reactions altogether out of proportion to the real effect on the cost of living. If such reactions are not allowed to cause undue alarm, the disease will find its own cure. Under the system of private enterprise nothing is so helpful to the removal of bottlenecks as a manifest readiness to see demand press heavily on them. The exceptional profits which accompany the rise of prices will serve as an inducement to investment in removing the bottlenecks—provided that the higher level of demand can be expected to persist. And the prices will then gradually revert to normal levels. But if total demand is kept down to the level dictated by the physical limitations, the inducement to deal with them will be far weaker. Avoidance of the symptoms of the disease of lack of balance prolongs the disease, with a continued sacrifice of investment and of production as a whole.

Thus, in so far as shortages may exist here and there in the physical capacity available for the production of consumer goods, quite a small amount of investment will often be sufficient to redress the balance, the problem being one of incentive more than anything else. Frequently, however, the problem is not one of physical capacity in the sense of the equipment available for producing consumer goods, but arises rather with respect to the necessary inputs—that is, industrial raw materials and primary foodstuffs. In this case, the repercussions of increased investment activity affect investment itself and the balance of payments. If the relevant shortages lie in the production of such basic things as steel and energy, considerable investment will be called for in relation to additional output required, and such investment itself competes with the demand for consumer goods. Relief may, and ordinarily will, be found through additional imports, and the foreign exchange outlays required are usually small in relation to the value of the extra final output made possible. It is therefore particularly important, when curtailment of imports is necessary for balance-of-payments reasons, to make provision for assuring supplies of such essential materials.

Foodstuffs present a different type of problem. In most of the more developed western European countries the extra demand for food arising from a higher level of economic activity is indeed scarcely a problem at all, both because the elasticity of demand for food in such economies is rather low and because their agriculture is already nearly self-sufficient over a broad range of products and shows a slow, but on the whole steady, increase in output. The problem is much more serious in the case of the less-developed countries, such as Italy and Greece, where the elasticity of demand for food is relatively high and substantial additional imports may be required as total demand rises. This is indeed one of the most important limiting factors affecting the ability of these countries to carry out an expanded investment programme, and explains both why it is necessary that such programmes should make adequate provision for expanding agricultural output and why, in the meantime, they need adequate financial support from the outside to finance the additional imports of food that may temporarily be required.

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[29] Table 6 shows that in a number of countries there was some significant movement of labour between industries during the years 1953 to 1955, and, in particular, some movement into building. Section 4 of Chapter 2 has also referred to the relatively greater expansion in some countries of the building and metal-using industries as compared with industry in general. Nevertheless, the flexibility experienced is not sufficient to invalidate the general argument.

[30] See Section 6, Chapter 5.

[31] cf. Alfred Sauvy "La situation économique", *Droit Social*, Paris, September-October, 1955, p. 476.

Physical capacity for producing capital goods

As has been indicated in Chapter 2, physical capacity as a limiting factor usually plays a more prominent role in certain branches of the investment sector than in any branches of the consumer-goods sector.[32] But even though the limitation is often much more marked in the investment sector, it is there less serious as an obstacle to securing a high rate of investment. The reason is that it is invariably patchy : the production of some varieties of capital goods will be up against full-capacity levels of operation at a time when it is physically possible to secure higher production of others. The same is true of the consumer-goods sector. But the pattern of investment is of far less moment over limited periods of time than the pattern of production of consumer goods. For the pattern of consumers' choice is fairly rigid. It requires substantial price differentials [33] to fit the pattern of consumption to an ill-balanced distribution of equipment or of materials in the consumer-goods sector. There is not the same need in the investment sector to approximate to any independently determined pattern. Many capital goods are produced for use in the more distant as well as in the immediate future. If additional output of some varieties is not possible, there is no reason why policy should not be directed towards securing greater production of others. Then later, when the physical capacity which is scarce has been enlarged, the roles can be reversed and the desirable balance in the country's stock of capital equipment can gradually be re-established. If there is no other decisive objection to a higher rate of investment, the aim of policy should be to exploit available capacity wherever it exists, to the point, of course, at which the additional output is no longer deemed likely to serve some fruitful use.

One method of securing this result is to offer a discriminatory stimulus to the production of particular types of investment goods which are bound to be demanded in the near future if not at present. Another method is to take advantage of the control of public authorities over a considerable portion of the investment sector. Regulation of the rate of construction of dwellings, of public buildings, and of buildings required for the social services provides an important example. Subject to the meeting of really urgent needs, there is considerable latitude here—of which inadequate advantage is taken—both for anticipation and for postponement of programmes according to the development of production in the rest of the investment sector.

This still leaves open the general question up to what point it is wise, by means of a non-discriminatory stimulus such as expansion of credit, to encourage the demand for capital goods when their output is already close to full-capacity levels, either over a limited part or over a large part of the investment sector.

It is not unrealistic to isolate the issues involved by imagining a situation in which neither the over-all supply of manpower nor physical capacity in the consumer-goods sector constitute as yet serious limitations on production. For in fact, except recently in those countries in which unemployment has fallen to very low levels, the characteristic feature has been the existence of bottlenecks confined largely to the investment sector. If demand presses heavily on such bottlenecks it involves higher prices for the capital goods in question. The concern which has recently been expressed about such price movements, for example in western Germany and also in Austria, is perhaps somewhat exaggerated. In October 1955 production in the investment sector of western Germany was 23 per cent higher than in October 1954, while during the same 12 months' period the prices of capital goods in general rose by only 3 per cent.[34] Such a result would not have been achieved if earlier doubts and hesitations had been reflected in an abatement of the pressure of demand. This development illustrates the point made earlier that, where there is no over-all shortage of manpower and where physical capacity in the consumer goods sector is not yet too fully occupied, there is good reason to push hard in the investment sector.

Such pressure does not adversely affect real wages. It will be reflected in a more rapid upward movement of money wages only to the extent that the over-all level of employment is higher. Higher profits in the capital goods industries which benefit from the higher prices may in themselves, however, incline the trade unions to demand higher wages, and the employers to grant them, and the effect may then spread elsewhere, as has been feared, for example, in Austria. The situation illustrates both the need for restraint in wage movements, to avoid unnecessary restrictions on investment and economic activity in general, and the need for tax measures appropriately conceived to prevent any undue building up of profits, as demand increases, with consequential effects on the distribution of income.

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[32] For western Germany see introductory statement by Dr. Erhard to the joint Erhard-Schäffer economic programme submitted to the Bundestag in Berlin on 19 October 1955.

[33] Or a heavy increase of imports or reduction of exports.

[34] *Monthly Report of the Bank deutscher Länder*, November 1955, p. 24. It should be noted that the price increase mentioned relates not only to capital goods in the investment sector but also to those used for the production of consumer goods.

The problem of balanced growth

Balanced economic growth can be defined as a development in which the growth of consumption matches the growth of productive capacity in the consumer-goods sector. This definition, while not implying any particular rate of growth, does mean that consumption at any particular time is great enough to keep up the incentive to invest. At the same time, the real wage is such that consumption and investment together are not so great as to prejudice the country's external balance and exercise no more pressure on productive capacity in the consumer-goods sector than is consistent with the payment of this real wage.

Economic growth may be balanced, in the sense indicated, without being reasonably rapid. The rate of growth depends, firstly, on the initial level and evolution of real wages and consumption in relation to the national product. Secondly, it depends on the size of other claims, apart from home investment, on the national product—claims such as defence, foreign debt service and financial burdens in relation to overseas territories or assistance to other countries. Thirdly, corresponding to the rate of growth permitted by consumption and other demands, the composition of the stock of capital equipment must be reasonably balanced: this means that the pattern of production made possible by the full use of capital equipment (in particular the ratio of the output of capital goods to the output of consumer goods) should correspond to this rate of growth. Fourthly, the rate of growth depends on how the output of capital goods is allocated between productive and non-productive investment. Finally, it depends on the possibilities of expansion of effective employment, either through the growth of the labour force or through the employment of hitherto surplus manpower: the reason is that additional capital is usually most productive when it can be combined with additional labour, rather than having to be applied exclusively to the capital intensification of productive processes.

The development of western Germany in the last few years is illustrative of a balanced economic growth, facilitated in its exceptional rapidity by a favourable position with respect to all of the relevant conditions summarized above and also by an assured demand arising from huge post-war reconstruction tasks. This development started at a time when taxation was very heavy and rates of interest were very high. The gradual relaxation of the pressure of taxation on consumption, and of credit conditions on investment, appear to have been conducted in unison with one another and in a generally harmonious manner. At the same time, the favourable structure of western Germany's export trade, combined with the absence of excessive home demand, has resulted in rapidly rising exports and a strong balance-of-payments surplus; indeed, this has constituted a serious financing problem for that country and its trading partners, though it has been alleviated in some measure in recent months by the marked expansion of imports as a result of trade liberalisation and the growth of consumption. Had it been necessary at any stage, for either internal or external reasons, to tighten up significantly on consumption or investment, it would have been far more difficult to pursue the right policy. As things have developed, smooth and rapid expansion has helped to renew itself by establishing in the minds of business men a fairly firm belief that the growth of demand will continue.

The development of western Germany in the form which it has taken in the last few years has also relied on the rapid increase in the supply of labour, although capital investment has been intensive as well as extensive, and productivity has been increasing fast. For reasons discussed in Chapter 5, however, the supply of labour will from now on increase much less rapidly and, indeed, scarcely at all. The question which is now much in mind is how this will affect the course of development. Subject to the still considerable uncertainty as to the future claims of defence on western Germany's production and manpower, there would seem to be a twofold risk in the new labour situation. One is that the composition of the stock of capital which, with a large capital-goods industry, has been well suited to the rapid rate of economic growth of the last few years, may prove seriously unbalanced if that rate should significantly decline with a reduced intake of labour. The second is that, under these circumstances, west German export competition and the balance of payments may become even stronger and increase the strain on international payments.

Both of these risks would be aggravated if, in emulation of restrictive measures elsewhere or out of concern for its internal wage and price structure, western

Germany found it desirable to reduce the level of its economic activity. While there is no sign so far that the level of activity will decline, the tendency of economic policy is in the direction of reducing the rate of expansion. The general tightness of the market position, and in particular of the labour market position, has given encouragement to those who think in terms of an " overheated Konjunktur ".[35] In August the Board of Directors of the Bank deutscher Länder raised their discount rate from 3 to 3½ per cent, and minimum reserve ratios were increased. The object was to cool the atmosphere and it was stated that if the situation remained critical the Bank deutscher Länder would have to take further steps.[36] Meanwhile, the Minister of Economics embarked on a vigorous campaign designed, mainly by means of persuasion, to keep down prices and to avoid a rise of wages which might outpace the growth of productivity.[37] The Minister has indicated that, should his attempts at persuasion fail to secure the necessary voluntary co-operation of industry and labour, he would have to fall back on the use by the Bank deutscher Länder of the sharper weapon of credit restriction.[38]

An alternative course, which could help to induce a readjustment of the industrial structure and at the same time correct possible tendencies towards undue balance-of-payments surpluses, would be to stimulate consumption and thereby encourage investment in the consumer-goods industries. There is considerable support for this approach, since real wages, though much above the depressed levels of a few years ago, are still low in comparison with those in other countries at a corresponding level of development, and civil service salaries and social security contributions are also relatively low.

The present problem of structural readaptation in western Germany is, however, unique. Indeed, as is borne out by the statistical analysis in Chapter 2, the more typical need in western European countries is to expand the output of the capital-goods industries, now held down either by insufficient productive capacity in this sector or by difficulties in restraining the development of real wages and consumption. In this situation a country may fall back into a state of growth which is balanced but inadequate, and little virtue can be claimed for such a condition simply on grounds of stability.

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[35] This diagnosis is rejected by Mr. F. Berg, President of the Association of German industry (*Deutsche Zeitung*, 21 December 1955).

[36] *Monthly Bulletin of the Bank deutscher Länder*, August 1955.

[37] A strong view is taken against " introducing a wage and price stop and of placing its maintenance under police control. Such methods have failed at all times and in all countries. But to forgo measures of government control does not exclude endeavours to achieve—in particularly neuralgic spots—the desired result of a stable price level " (from an article by Dr. Erhard, the Minister of Economics, in *Die Zeit*, Hamburg, 8 September 1955).

[38] In the article already quoted, the Minister issued the warning that the drastic counter measures which would have to be employed against an inflationary development, resulting from lack of co-operation, might throttle the boom altogether.

5. THE ROLE OF ADDITIONAL SAVING

It may often be clear that a higher rate of investment is desirable but that the pressure of demand on manpower in general is as heavy as is compatible with the maintenance of an adequate real wage. Alternatively, it may be that, though the real wage is regarded as adequate, the pressure is as heavy as is compatible with a tolerable behaviour of money wages and of prices. For either or both reasons, and for others as well, it may be as heavy as is compatible with a satisfactory balance of payments.

It is under such circumstances that the role of saving becomes crucial. If manpower is the over-all limiting factor, additional saving operates by enabling more labour to be employed in the investment sector, correspondingly less being employed in the consumer-goods sector.[39] If the limiting factor is physical capacity in the consumer-goods sector, additional saving operates by rendering a larger total of employment compatible with a given real wage and a given balance-of-payments position. As a means of securing a more satisfactory balance of payments, additional saving serves as an alternative to less investment.

The encouragement of private saving—and of personal saving in particular—offers important possibilities; and some reference will be made to this subject in the following chapter, in connexion with the influence of the rate of interest and of conditions in the market for shares.[40] But, whatever may be done by governments to encourage private saving, the most important practical issue of public policy in this field will usually be the part which should be played by the government in promoting public saving in the form of an excess of revenue over expenditure. It is in terms of taxation policy that the discussion in this chapter is conducted, the assumption being that, in this context, a change in total tax receipts will not in itself lead to a change in government expenditure, and that the change is additional to what is required to match any change in government expenditure.

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[39] It is not necessary, unless an immediate or a large change is at issue, to contemplate an absolute reduction in *per capita* consumption. But if consumption rises through time less rapidly than productivity, the transfer of manpower can gradually take place between the two sectors, with the result that investment can rise more rapidly than productivity.

[40] Sections 1, 3 and 6 of Chapter 4.

It is important to decide whether in a particular situation additional taxation is or is not necessary as a concomitant of measures designed to stimulate investment, or indeed whether it would lead to an increase in investment without any additional measures. These questions are often extremely difficult to answer, and the difficulties of diagnosis and of prescription sometimes lead to lack of coherence in the formulation of policy and of decision in carrying it out.

Cases in which additional taxation is unnecessary

If there is no definite shortage of manpower and if, in response to a higher level of demand, supplies of consumer goods would be increased without any serious rise of prices, investment can and should be stimulated without any attempt to increase saving. Indeed, an increase in saving is very likely under such conditions to do positive harm to investment by worsening trade conditions and so making business men more pessimistic about the future—this quite apart from the waste involved in unnecessarily increasing unemployment and reducing activity. It is true that, in default of any successful attempt to restrain them, money wages may, even under such conditions, be rising at an excessive rate; but, if this is so, the behaviour of money wages would probably not be much affected by slightly greater unemployment.[41]

This is the situation in a typical recession, such as was illustrated in a mild degree in many western European countries in the period 1952 to 1953. There is reason to think that, despite recovery from the recession, the situation has persisted in some countries, at least in a modified form, until very recently.

In France, the combination of a low rate of industrial investment over the past few years with a quite appreciable growth of production suggests that the limits of physical capacity should have been reached some time ago; but in the previous chapter an explanation was given of why this did not happen. Fears that an expanding demand would have an inflationary effect on prices have been prominent and have been partly responsible for the lack of determination behind expansionist policy. Now, however, so far as the recent past is concerned, it seems to be widely felt that rising consumption has been helpful rather than otherwise to the promotion of investment and that, if anything, consumption demand has been deficient. In particular, the rise of money wages, which has been carried on only up to the point of leaving the cost of living stable (since the beginning of 1952), is regarded as having contributed a fruitful increase in consumption.[42] The question now raised is whether activity has reached a point at which a further expansion of investment would call for measures designed to restrain consumption.

The situation of Belgium is in some respects similar to that which has prevailed in France. It is true that in Belgium consumption recovered to its pre-war level earlier than in any other war-damaged European economy. But in more recent years the growth of consumption has been very slow, and, although productive investment has lagged too, the general recovery of activity during the past year (partly due to the high world demand for steel and metal products) has been sustained without signs of undue pressure of demand on resources. However, steel capacity has been fully utilized, as has the capacity for producing other basic materials and services, in particular coal and electric power. Given the extent of the various measures taken to stimulate investment, it seems probable that a somewhat higher volume of consumption would have been helpful to investment rather than otherwise.[43] It has been suggested that " the Government should continue to pursue an active policy of encour-

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[41] See Section 7, Chapter 5, and Section 2 of this chapter.

[42] Mr. Alfred Sauvy has recently expressed the view that " increases of low wages and of family allowances no longer have an inflationary character " (op. cit., p. 477), but that the position was different four years previously, agricultural plenty and the textile crisis being responsible for the change of diagnosis. This corresponds to the view quoted by the OEEC that, as regards the expansion of production foreseen for 1955, " the productive capacity of the economy is thought to be adequate to enable such increases to be achieved without difficulty; and although full employment is already practically ensured, no labour shortage is feared except in certain very limited sectors ", *Economic Conditions in France*, OEEC, November 1955, page 13 (*Seventh Report of the OEEC*, 1956).

[43] Cf. E. S. Kirschen : "... the attempt to solve the immediate problem by propaganda campaigns in favour of saving should be abandoned " (" Le choix entre l'expansion économique et la hausse des prix ", *Revue de l'Institut de Sociologie*, No. 4, 1951, p. 536). The Belgian Government itself takes the view that it is helping to increase private investment by stimulating private consumption " by the improvements made in 1954 to certain social welfare benefits . . . , by State contributions for the payment of bonuses to miners, and by the grants from the . . . Office du Placement . . . for providing work for the unemployed " (reply of Belgian Government to United Nations questionnaire on full employment and balance of payments, Economic and Social Council paper E/2726/Add. 5, 23 June 1955, p. 5). It is stated at the same time that " the continued increase in military expenditure has made it impossible to increase civil investments

(Continued on next page)

aging investment ",[44] and this can probably go some way before additional taxation is called for in order to relieve the pressure on productive resources.

Before the next type of situation is considered, it should be noted generally that, if the only obstacle to a higher rate of investment lies in limitations of productive capacity confined to the capital goods sector, additional saving may assist to some extent by reducing demand for imported consumer goods, thus either releasing foreign exchange for the purchase of imports for the investment sector or releasing productive capacity at present devoted to exports. However, such a readjustment will almost certainly also involve some waste of resources in the consumer-goods sector, and this may tend to damp down the demand for capital goods by its effect on business men's expectations. If the only obstacle to higher rates of investment is financial in character,[45] additional saving might conceivably be helpful provided that it was largely confined to persons or institutions which use their savings in a fruitful manner; but this effect may well be outweighed by the adverse reactions on business men's expectations.

Cases in which additional taxation is necessary but not sufficient

The typical case is that of an economy which is not suffering from recession or prolonged stagnation but for whose resources the level of demand is not so high as to result in actual shortages. A rise of the rate of investment is likely then to create one or more of the difficulties discussed in this chapter. If, however, it is accompanied by additional saving—imposed, say, by extra taxation—these difficulties may be avoided. The important principle to be emphasized is that the additional saving must be matched by positive action to stimulate investment, so that it does not become abortive by depressing the level of activity and of total real income and by bringing about an uncalled-for rise of real wage rates (by depressing prices relatively to money wages). This is the point which is often overlooked.

The present position of France seems to provide an excellent example of the type of case where some restraint of consumption may soon become necessary if the investment rate is to be significantly increased, but where deliberate measures to stimulate investment are likely to be required to ensure that resources available for this purpose are used, not wasted. The inadequacy of recent levels of productive investment was stressed in the recent report of the Commission des Comptes de la Nation.[46] But the report also suggests that it is not sufficient that the necessary resources for more investment should be released. That in itself would have an adverse effect on the readiness of business men to invest. The same report points out [47] that entrepreneurs' " expectations are often distorted by the state of business in the short term: it does not appear that the growth of demand has encouraged them to base their decisions on the maintenance of expansion and to proceed with all the necessary investment ". It is likely therefore to be necessary to provide a strong stimulus to invest and, in addition, to create an expectation of a high level of demand, if the rate of investment is to be significantly increased.

The safest course under such conditions seems to be to proceed with a reasonably expansionist investment policy, and then to curb the growth of demand for consumer goods, as and when it turns out to be necessary, by using the instrument of taxation. Otherwise there is always the danger of releasing resources unnecessarily and of subduing the urge to invest.

It is, however, easy to go to the other extreme and take an unduly complacent view about the need for increasing taxes. This is particularly relevant to the question of the speed at which it will prove possible to carry out the development of southern Europe.

The OEEC Committee on the Italian Development Programme states that " the Italian authorities have assumed for their initial calculations the continuance of present tax scales, allowing only for the higher yields that may be expected from the higher level of economic activity and from somewhat more effective tax administration ". But " the increase in real consumption that is expected to be available for those already in full employment is relatively modest. It will not be easy to devise and enforce means of limiting the expansion of consumption to the extent that is

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as much as the Belgian Government would have wished " (ibid., p. 4). This appears somewhat inconsistent, though the pressure of combined demands (including also export demands and the demand for consumer capital goods) on the metal and metal-using industries is no doubt in mind.

[44] *Economic Conditions in Belgium, Luxembourg and the Netherlands*, OEEC, November 1955, p. 15 (*Seventh Report of the OEEC*, 1956).

[45] Of the type to be discussed in Chapter 4.

[46] The Commission states in its report that " if recently it has been possible to satisfy a fairly strong demand for consumer goods, this is to be attributed to the fact that exports have been stagnant, that investment has been modest and above all that public consumption has diminished heavily since 1953 " as the result of a decline in defence expenditure. Reference is made particularly to the dangers inherent in undue expansion of public expenditure, of the total national wages bill and of construction of dwellings (*Rapport sur les Comptes de la Nation, 1949-1955*, pp. 58 and 59). In this report, however, the Commission does not deal specifically with the question of increasing taxation.

[47] Page 41.

required ".[48] The point, which applies generally, is that although the main object of such a programme is for the time being to provide facilities for additional employment, the productivity of those already in full employment will in fact progressively increase. In so far as a correspondingly rising real wage rate does not have to be conceded, this provides the opportunity for gradually accelerating the rate of development. But the benefit of the increasing productivity will then accrue *pro tanto* to profit margins; and unless a large part of these is diverted by taxation to public saving, it is probable that the wage-earners will insist on taking out a considerable part of the increasing productivity in rising real wage rates. It may still be politically possible to prevent the consumption of those already in full employment from growing proportionately, but only if the wage-earners submit to paying in taxes the equivalent of what might have been collected out of profits. Steadily rising rates of taxation are required for this purpose.

Cases in which additional taxation is both necessary and sufficient

Finally, there is the type of case in which pressure of demand is heavy and there are actual shortages. A diminution of consumption will then lead to a release of resources which will, without any special measure being necessary, be absorbed (possibly at the expense of some waste on the way) in the investment sector and result in a rise of the rate of investment. Alternatively its reactions on an unsatisfactory balance of payments may avert restrictive measures against investment, which would otherwise be necessary.

The United Kingdom is already in a situation in which a general excess of domestic demand threatens to create instability of prices and of the balance of payments. In Denmark also the policies applied during the last year have been designed to restrain consumption. The policies adopted in these countries are considered in more detail in the following section.

Recent changes in central government budgets and in budgetary policies

The analysis of the pattern of saving conducted in Chapter 2 revealed the importance of public saving in most countries of western Europe. Usually the major element in public saving is the saving of the central government, which will now be briefly reviewed.[49]

Apart from positive decisions affecting taxation and expenditure, some automatic variation in the balance of government receipts and expenditure occurs as a result of changes in the general level of activity. In periods of rising prices and production, revenue usually increases more than proportionately as a result of the structure of the tax system, and expenditure may increase less than proportionately, especially where interest on the national debt is an important part of total expenditure.

The combined effect of such variations and of policy changes, as reflected in the budgetary accounts, are presented in Table 43, where the various elements are expressed as percentages of gross national product so as to allow for changes in prices and real income. In a number of countries—France, Belgium, Italy, Austria and Denmark[50]—the tendency has been to achieve a close balance between income and expenditure on current account. In other countries—Sweden, Norway, the United Kingdom, the Netherlands and Finland—surpluses have been more important and have on the whole been more consistently maintained. Except in Finland and Norway, these surpluses have fluctuated rather sharply in response both to changes in economic conditions and to policy decisions affecting revenue and expenditure. This has been particularly evident for the United Kingdom and the Netherlands. Western Germany is a special case: the Federal budget deficit of the earlier years was eventually turned into a large and growing surplus, arising largely from unspent provisions for occupation costs.

Decisions taken in 1950 and 1951 in many western European countries to make heavy increases in expenditure on defence had far-reaching consequences. Even where defence commitments involved a relatively small claim on national resources, their impact was generally large on government accounts and hence on budgetary policy. Table 44 shows the share of defence expenditure in total current expenditure by central governments. Over the period 1950 to 1955 no less than 30 to 40 per cent of the increase in total expenditure was in most countries accounted for by defence (the share is as high as

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[48] op. cit., p. 12.

[49] The definitions here used differ from those employed in the discussion in Chapter 2. National accounting data were used in Chapter 2, but the figures now presented are drawn from conventional budgetary data, which can be more readily related to decisions to increase or decrease revenue or expenditure. The published conventional budgetary figures have been adjusted in order to exclude as far as possible all capital transactions. Military expenditure is regarded as part of current expenditure. The important operations of local authorities and of social security funds are omitted. A description of the method and definitions is given in Appendix C.

[50] Switzerland, though not included in the table, also belongs to this category.

TABLE 43

Current revenue and expenditure of central government in relation to gross national product from 1950 to 1955

Percentages

Country and year	Surplus	Revenue	Expenditure	
			Total	Defence
Norway				
1950	6	28	22	2
1951	7	27	20	3
1952	7	28	21	4
1953	7	29	22	4
1954	6	28	22	4
Denmark				
1949/50	2	14	12	2
1950/51	2	13	11	2
1951/52	2	14	12	2
1952/53	2	15	13	3
1953/54	3	16	13	3
1954/55	3	16	13	3
Finland				
1950	5	25	20	1
1951	7	25	18	1
1952	7	26	19	1
1953	7	25	18	1
1954	6	24	18	1
United Kingdom				
1949/50	4	30	26	6
1950/51	5	28	23	6
1951/52	4	30	26	7
1952/53	1	28	27	9
1953/54	1	26	25	8
1954/55	2	26	24	8
Western Germany				
1950/51	—	11	11	5
1951/52	−1	14	15	7
1952/53	1	15	14	6
1953/54	2	15	13	4
1954/55	2	15	13	4
Netherlands				
1950	1	22	21	5
1951	3	23	20	4
1952	3	23	20	5
1953	—	22	22	5
1954	—	21	21	6
Sweden				
1950/51	2	18	16	4
1951/52	6	22	16	4
1952/53	3	20	17	5
1953/54	2	20	18	5
Austria				
1950	1	15	14	1
1951	—	16	16	1
1952	—	17	17	1
1953	1	19	18	—
1954	1	18	17	—
Italy				
1949/50	−2	14	16	3
1950/51	−1	14	15	4
1951/52	—	15	15	4
1952/53	−1	15	16	4
1953/54	1	16	15	4
France				
1949	2	17	15	4
1950	3	19	16	5
1951	3	19	16	7
1952	—	19	19	8
1953	—	20	20	8
1954	—	20	20	7
1955	−1	19	20	7
Belgium				
1950	2	18	16	2
1951	3	19	16	3
1952	−1	18	19	5
1953	−1	18	19	4
1954	−1	18	19	4

Sources and Methods : See Appendix C.

TABLE 44

Share of defence expenditure in current central government expenditure from 1950 to 1955

Percentages

Country	Defence expenditure as percentage of current government expenditure		Increase since 1950 [a] of defence expenditure as percentage of increase in current government expenditure
	1949/50 or 1950	First peak year	
United Kingdom	22	33 (1954/55)	80
Sweden	22	28 (1952/53)	40
Denmark	14	25 (1954/55)	40
France	30	40 (1952)	40
Norway	10	20 (1954)	40
Netherlands . . .	22	26 (1952)	30
Belgium	14	25 (1952)	30
Italy	21	27 (1952/53)	20
Finland	5	6 (1952)	10
Austria	6	6 (1950)	[b]
Western Germany [c]	40 [d]	44 (1951/52)	15
Switzerland [c] . .	35	44 (1952)	70

Sources and methods : See Appendix C.

[a] 1949/50 or 1950.

[b] Slight decrease.

[c] The percentages for western Germany and Switzerland are inflated because the federal budgets exclude many items of revenue and expenditure which in other countries are included in the accounts of the central government.

[d] 1950/51.

80 per cent in the United Kingdom).[51] In relation to government expenditure and to gross national product the peak of the defence effort was in most cases reached early in the period—in 1952 or 1952/53. But for the United Kingdom, Denmark and Norway the proportionate claim of defence on financial and real resources continued to rise until 1954 or 1955, whereas it declined between the peak year and 1955 in France, the Netherlands and Belgium.

In the 1950-1952 boom there was, in most western European countries, a certain readiness to increase taxes [52] to supplement the monetary and other restrictions which were imposed. The burden of defence expenditure accentuated the need for such action, whether it was prompted by conventional budgetary considerations or by regard for the country's economic position in a more fundamental sense. But in Belgium, where the emphasis was on cutting public civil expenditure, no more was done than to advance the date on which certain tax payments were due.[53]

In the period of mild recession which followed for most countries taxation was generally reduced, as has been earlier indicated. The percentage figures for revenue in Table 43 show a particularly marked reduction in this period for the United Kingdom, and this is reflected in the heavy fall in its budget surplus, which at one stage had been relatively among the largest in western Europe.

The recent revival of the call for measures to restrict the pressure of demand has not, however, led to any general withdrawal of tax concessions to consumers granted in the days of slack demand. This is despite the widespread adoption of restrictive monetary policies and other measures calculated to limit investment. A prominent exception is Denmark; and, in the special autumn budget of 1955, the United Kingdom also adopted measures to restrain consumption, though the normal spring budget of 1955 had gone the other way. In Greece taxes were increased heavily in April 1955. This was in consequence of the earthquake, but the 1955/56 budget should turn out to be more disinflationary than its predecessor. In Finland, Sweden and Norway taxation of company profits has been increased; but this is aimed against investment rather than consumption (as more obviously are taxes imposed directly on investment in several of these countries [54]). In Norway, moreover, as a result of a reform of the tax system, the dates for tax payments have been advanced.

On the other hand, important tax concessions were made in the Netherlands as recently as September 1955, although the Budget deficit has been growing (see Table 43). The changes (designed partly to compensate for a 5 per cent increase in maximum rents) had been under discussion for some time. By the time the final decision came into force some restraint against expansion of credit was already beginning to be imposed; and although the balance of payments remained favourable, shortage of labour was by then pronounced.

Moreover, the growing population implies employment needs which by themselves create a substantial need for productive investment, quite apart from the need for new dwellings. The decision nevertheless to foster an increase of consumption, at the probable expense of the growth of investment, is to be regarded as a deliberate one, undertaken with an eye to the restraint which had been exercised until recently over the growth of consumption. Statutory control of wages has played an important part in the policy of restraint, and it is desired to maintain the favourable competitive position of the Netherlands on foreign markets.

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[51] The apparently large shares of defence expenditure in the total for western Germany (occupation costs) and for Switzerland are deceptive. The figures refer to the central governments only and thus include the whole of defence expenditure but exclude the relatively large current expenditure of the Länder and Cantons. The low percentage for western Germany shown in the first column of Table 44 is due to the fact that occupation costs were large in 1950 and increased relatively little after that.

[52] Reductions of subsidies on consumer goods are here regarded as the equivalent of increases of indirect taxes, but of course they affect the *expenditure* column in Table 43.

[53] The sensational development in 1951/52 of Sweden's surplus, as shown in Table 43, is to be attributed mainly to a special tax designed to hit exporters' profits (the prices of timber and timber-products were very remunerative).

[54] See Section 6.

In Finland credit restrictions and personal tax concessions have gone hand in hand, although here too corporate taxation has been increased and dates for tax payments have been put forward. In western Germany, also, a first indication of a tightening of credit conditions has been accompanied by tax concessions.

The fairly general reaction against a policy of large budget surpluses as a means of resisting inflationary pressure is partly attributable to a natural disappointment—developed during the last few years—that the heavy taxation which was introduced during the war, and was obviously still necessary in the immediate post-war period, still weighs so heavily. This disappointment subjects governments to strong political pressure. But to some extent the reaction against the use of the budget as a major instrument of economic policy goes deeper than this. The belief has become widespread that high taxation discourages hard work and enterprise and that the weapon of monetary policy—neglected in the recent past—could be used with equivalent restraining effect and without this disadvantage. The justification for this view and the appropriate use of these instruments of policy are discussed in the following section.

6. The main instruments of policy

Allusion has just been made to the apparently widespread reaction against the use of fiscal restraints on consumption, or other fiscal weapons, as a means of relieving excessive pressure of demand on domestic resources or balances of payments. This reaction may be largely attributable to political pressures for tax reduction. But there has also been evidence of a growing inclination to seek regulators for the economy which work impersonally and almost automatically.

It has been widely contended that monetary policy involves less " interference " with the economy than do some other instruments at the disposal of governments, and permits the functioning of the economic system to be determined by the free play of market forces.[55] There is, moreover, a widespread misunderstanding about the *modus operandi* of monetary policy. Fiscal and monetary policy are too often regarded as alternative methods of securing the same end. But indirect taxes and taxes on personal incomes operate primarily on consumption, monetary policy primarily on investment. Fiscal restrictions are not just alternatives to credit restrictions. At the expense of restraint on consumption, they provide a means of forgoing restrictions on investment which would otherwise be necessary.

Nevertheless, not all governments have changed the emphasis of their policies from fiscal to monetary measures. The outstanding case of a renaissance of fiscal policy is presented by Denmark. Even in banking circles objections had been there raised against placing too much weight on monetary policy to the prejudice of productive investment, which is so important for Denmark's long-term development.[56] The Danish Finance Minister has raised the question how a return can be made to easier credit conditions. The answer which he gives is that " we should now consider whether we should not make far greater use also in the long run of financial policy, with a view to stabilizing investment and varying consumption somewhat as far as possible ".[57] The measures introduced by the Danish Government in the course of 1954 included increases in indirect taxes as well as credit restrictions and other means of restraining investment. The balance of payments remained unsatisfactory and, in the belief that " a further decline in investment is not desirable ", it was decided that " fiscal policy must . . . be used to curtail consumption directly ". [58] The result was that in April 1955 a special turnover tax was introduced while housing subsidies were reduced and milk subsidies abolished (children's allowances and old-age pensions being at the same time increased). Credit restriction was also tightened up further but " for the greater part . . . the new restrictive measures, unlike those which preceded them in 1954, have been aimed directly at reducing private consumption ", the yield from the increase in indirect taxes alone being estimated at the equivalent of 2 per cent of total consumers' expenditure.[59] In the words again of the Finance Minister, " stable investment and varying consumption will benefit our currency and our society in the long run, and we should move towards this goal ".[60]

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[55] Thus the Finance Minister of western Germany has recently expressed the view that fiscal policy is not an instrument to be used for interfering in the economic system. (*Die Presse*, 4 October 1955.)

[56] See, for example, the Reports of the Danish National Bank for 1953 and 1954, and the Report for 1954 of the Kjøbenhavns Handelsbank.

[57] V. Kampmann, " Finansieringen af Investeringerne ", *Nationaløkonomisk Tidsskrift*, Nos. 1 and 2, 1955, being a lecture given by the Danish Finance Minister to the National Economic Association. Mr. Kampmann also takes the view that " if the State is going to try to regulate economic factors within its general policy, it will be slightly easier and quicker to revise, both upward and downward, regulations introduced to control consumption than those governing investment." This is not in accordance with the conventional view ; but the sluggishness with which the difficulties of the United Kingdom and the Scandinavian countries responded to monetary treatment is beginning to throw doubt on the speed with which monetary policy can be expected to produce results. However, it may be that the slow reaction is in part due to the mildness of the initial doses of monetary restriction.

[58] *Economic Survey of Denmark 1955*, p. 26.

The uses of fiscal policy

Taxation designed to increase saving has to be aimed primarily at consumption. But, if the need for maintaining a specific standard of living for wage-earners is the obstacle to promoting a higher rate of investment, higher tax rates will not help unless the tax system can be so used as to relieve those members of the working class whose standard of living is particularly the subject of concern. In some cases, it may be possible, by introducing subsidies on some of the essentials of life balanced by higher taxation falling elsewhere, to permit an expansion of investment without unduly depressing the living standards of the most sensitive sections of society.

In the United Kingdom, in the autumn budget of 1955, rates of purchase tax were increased and the range of the tax was widened. These changes were " not to be regarded simply as attempts to switch individual pots and pans or motor cars from home to export " : the main consideration was that " a reduction in the general level of demand is . . . really essential to an expansion of . . . export trade ".[61] However, increases in indirect taxes inevitably involve the danger of increases in the cost of living which may stimulate wage demands sufficient to defeat the original objective,[62] and in the United Kingdom the trade unions are certainly not insensitive to changes in the cost of living.

The special turnover tax introduced in Denmark in April 1955 has already been mentioned. In Denmark, as in the United Kingdom, there has been concern about the reactions on the balance of payments of the pressure of demand. But wages are tied to the cost-of-living index for periods laid down in wage agreements (normally two years) and special arrangements have been made which should help to preserve wage and price stability. Compensation for the tax increases has been provided in the form of non-transferable government bonds, redeemable over the period 1962-1972. The additional taxes are imposed, so far as present legislation goes, for two years. Bonds issued to each individual in each of the years 1955/56 and 1956/57 are the equivalent of a year's tax, estimated according to family status and taxable income. They are entered as a deduction in the cost of the sample budget on which the cost-of-living index is based (which in Denmark takes account of direct taxes as well as indirect). In effect, therefore, the tax takes the form of forced saving.

In western Germany, the preservation of price stability ~~has recently caused more concern ;~~ and under the eleven-point programme ~~submitted to~~ the Bundestag on 19 October 1955 turnover taxes have been reduced. But though the aim may be to contribute towards price stability, one of the effects will be to increase consumption. However, investment in western Germany is at present running at a high level, the balance of payments is satisfactory and the general pressure of demand can hardly be described as acute. Action similar in nature and purpose to that taken in western Germany, but including increases in food subsidies, was taken in the autumn of 1954 in Finland.[63]

The task of devising effective taxes on consumption which do not produce undesirable repercussions on wages and prices is seldom easy ; but the use of indirect taxes has other merits. In particular, the structure of indirect taxation can be modified so as to weigh more heavily on commodities which are imported or might be exported, and less heavily on other commodities—and also more heavily on commodities of which supply is relatively inelastic and less heavily on others, thus securing a more balanced utilization of productive capacity.

In general, however, it is widely accepted that taxation exercises various disincentive effects. Other things being equal, a reduction of taxes is stimulating to enterprise and in particular to the taking of risks.

Taxation of profits, if additional to taxation of personal income, is a direct tax on enterprise and may also indirectly limit investment by reducing the amount of firms' undistributed profits available for self-finance.

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[59] OEEC report on *Economic Conditions in Denmark, Iceland, Norway and Sweden*, op. cit., p. 9.

[60] V. Kampmann, op. cit.

[61] The President of the Board of Trade, *House of Commons, Official Report*, 27 October 1955, col. 416.

[62] See *Economic Survey of Europe in 1950*, p. 146, for the part played by subsidies in holding back demands for higher wages, and *Economic Survey of Europe since the War*, February 1953, p. 81, for the part played in France by turnover taxes in accelerating the vicious spiral.

[63] See *Economic Bulletin for Europe*, May 1955, p. 24.

The taxation of corporate profits is frequently varied upward or downward, with a view mainly to the direct effect in stimulating or discouraging industrial investment. Taxation may also be used to divert to government saving part of the profits generated by a high rate of investment in order to maintain an acceptable distribution of income.

At times when some restraint of investment is desired, direct taxes on investment can be imposed to supplement taxation of company profits or the effects of credit policy. In Sweden, a 12 per cent tax has recently been restored on investment in buildings and equipment over a value of 20,000 kronor annually. In Norway, a 10 per cent tax has been introduced on all building and construction activity (apart from dwellings and agricultural buildings).[64]

The uses of monetary and credit policy

It is now fairly widely recognized that the main long-term influence of credit policy is on fixed investment. Effects on consumption are also important, particularly with the growth of hire purchase, which has become a major factor in some countries. Also there still remains the traditional role of monetary and credit policy in influencing the level of activity in the short term through effects on the holding of stocks, and the short-term influence exerted by varying interest rates on the balance of payments (both through the effects on the current balance of variations in stocks and by directly influencing short-term capital movements).

In the Scandinavian countries, from the start of the period of restraint, credit policy has admittedly been designed to restrict fixed investment. In the United Kingdom, on the other hand, it seemed that in the early stages less far-reaching effects were expected. At least until April 1955 there was thought to be " no reason why the recent increase in interest rates should discourage sound long-term investment. Indeed, the need for the type of investment which will raise productivity and expand our productive capacity is as great as ever ".[65] By July, however, it was clear that the object must be to slow down investment, or at any rate to avoid any further increase, though it was " undesirable to check investment leading to increased production for export. For the rest, even though a high level of productive investment is undoubtedly in our long-run national interest, all those embarking on investment projects should consider whether they could not postpone their initiation." [66] And by October " the excess of demand is showing itself not only in terms of personal consumption but also in a tempo of new investment which threatens to outstrip the growth of resources "; and " we propose to rely on the good sense of managements and on the credit squeeze to moderate the pace of investment ".[67] The hope was also expressed that the limitation would fall mainly on unproductive in contrast to productive investment.[68]

Monetary and credit policy expresses itself not only in terms of rates of interest charged by banks to their customers. More important, usually, is the ability of the banks to meet demands for advances which come to them at the ruling rates of interest. In several countries, including the United Kingdom, the main instrument of credit restriction is now a direct reduction, or a limitation, of the total of bank advances—the bankers being given a certain amount of guidance but being necessarily left largely to themselves—in a manner which is inconsistent with the idea that one of the virtues of monetary restraint is that it operates through " natural " market forces. Credit restriction operated in this manner clearly has a particularly arbitrary impact on investment. A reduction of bank advances affects directly only those firms which are in debt to their banks and those which contemplate new borrowing from the banks, and among these the choice of those permitted to go ahead with their plans is primarily the responsibility of individual bankers.

Monetary and credit policy can, however, have other far-reaching repercussions beyond its immediate effect in restraining investment. Its effects on the capital market are particularly important, and these are discussed in detail in Chapter 4.

There are some indications that credit policy is more popular as a means of exercising restraint than as an expansionist instrument. This was illustrated in most European countries during the setback of 1952-53, and although Belgium, France, western Germany, the Netherlands and Italy have continued, at any rate until very recently, to enjoy slowly declining rates of interest, there has been considerable hesitation concerning the pace at which credit expansion should be allowed to take place. This arises partly from the idea that the quantity of money should not rise faster than total production. Associated with this is the idea that there is something inherently dangerous in the financing of investment through an expansion of bank credit, except perhaps on a modest scale. This idea turns on a distinction between "real saving" and funds provided by expansion of credit. It is, of course, true that when the pressure exerted by a high rate of investment is unduly heavy, the savings which match it are forthcoming at the expense of undesirable repercussions, particularly on standards of living. This is the case, however, quite irrespective of the part played by expansion of bank credit. The only appropriate question is whether the pressure exerted by investment is too heavy. If it is, then there is a case for monetary restraint, perhaps supplemented by other measures. If it is not, and there is a case for increasing the pressure, monetary expansion will do good and not harm.

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[64] It applies to ships in such a way as to encourage resort to foreign credits by ship-owners.

[65] Statement by the Chancellor of the Exchequer, *House of Commons, Official Report*, 19 April 1955, col. 54.

[66] Chancellor of the Exchequer, *House of Commons, Official Report*, 25 July 1955, col. 827. On the same day the Chancellor wrote a letter to the Governor of the Bank of England asking him to draw the attention of the banks to his statement in the House of Commons and requesting a reduction of bank advances: " It is for the banks to decide what steps they must take to make this policy effective. But I look for a positive and significant reduction in their advances over the next few months." (Ibid., col. 836.)

[67] Chancellor of the Exchequer, *House of Commons, Official Report*, 26 October 1955, col. 225.

[68] Speech by the Chancellor of the Exchequer reported in the *Manchester Guardian*, 19 November 1955.

Expansionist credit policy will be less successful in reaching its goal in countries in which individuals are in the habit of holding wealth in forms other than money, securities and existing real property. In Greece and Turkey securities play a small part, and in these countries much personal wealth is held in the form of gold and, to some extent, in the form of speculative stocks of commodities and of houses constructed primarily to serve as a means of holding wealth (the latter particularly in Greece). In so far as credit expansion results in additional pressure to hold wealth in these forms, its effects are wasted, either by causing a deterioration of the balance of payments or by bringing about an unfruitful use of domestic resources. Any success in controlling the personal application of wealth to these purposes will serve to increase the efficacy of credit expansion, against which the wide-spread fear of inflation in these countries offers a further obstacle.

One point not always recognized about both monetary and credit policy and fiscal policy is that in neither case is it possible for a government not to have one. A decision always to aim at a conventionally balanced budget is a positive decision to refrain from using one possible means of guiding the development of the economy, no matter what spontaneous trends may be apparent. In relation to monetary and credit policy, the point is obvious. Once that is granted, it follows that the general state of credit should vary according to the economic conditions of the country. In some periods there is a strong case for easy conditions of credit designed in the interests of expansionist policy. But if this is so, there must equally be other periods in which conditions of credit should be tighter.[69]

Building control

Much of the trouble associated with inflationary pressure arises in the building industry. Sometimes, as in Norway, the labour force of the building industry is felt to be inflated as a result of the pressure of demand for building work ; sometimes, as in Sweden,[70] industrial building is felt to be unduly hampering the construction of dwellings ; in some countries the construction of dwellings has now reached a level which under present conditions represents too heavy a burden on the economy, and in many countries there has been a considerable volume of inessential building. Fairly generally, trouble is at present caused by unfilled orders for building and delays in completing construction and by the existence of unfilled vacancies for building labour. In a number of countries subsidies have been reduced and arrangements for granting cheap interest rates for housing finance have been curtailed to supplement the general pressure of credit restriction on the building sector ; but, in view of the difficulty of securing a discriminatory operation of credit restriction, it is somewhat surprising that direct control of building is not used more forcefully. A system of building control still exists in the Netherlands, Norway, Sweden, Turkey, and (through control of building materials) in Denmark, but considerable reliance is placed on credit restriction as a supplementary means of control. In the United Kingdom building control was abandoned in November 1954, and the system of making housing allocations to local authorities was brought to an end in October 1955. Since then, they have been left to determine the size of their own housing programmes but housing subsidies have been reduced and certain other restrictive measures brought into operation.[71]

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[69] On the advisability of the immediately post-war cheap money policies, see *Economic Survey of Europe since the War*, February 1953, p. 67.

[70] The effect of credit restriction on the capital market in Sweden was such that the construction of dwellings was in danger of being brought by financial difficulties below what was thought to be the right level, and special arrangements had to be made with the bankers to provide supplementary finance despite the general restraint on expansion of credits.

[71] *House of Commons, Official Report*, 27 October 1955, col. 380. This decision was made at the same time as a decision to reduce subsidies to housing. Local authorities are asked "to keep their demands upon ... building resources within reasonable bounds". They are also now refused loans from the Public Works Loans Board, except if they are not able to raise finance on their own credit either in the stock market or in the mortgage market. The reason is that "it would be wrong to exempt the local authorities from the pressure of interest rates" but it is not clear why the rates charged by the Public Works Loans Board cannot be made as high as the situation demands. (See *House of Commons, Official Report*, 26 October 1955, cols. 214, 215.)

7. A BASIS FOR CO-OPERATION

Governments would need to foster two different kinds of co-operation, according to the considerations advanced in this chapter, to ensure satisfactory rates of investment and growth in western Europe. One is co-operation with labour, and also with employers, so as to render a high level of activity consistent with reasonable stability of prices and with an acceptable distribution of income, and to ensure that the behaviour of money wages and consumption is not such as to imply inadequate consideration of the case for capital accumulation from the point of view of wage-earners. Some of the problems which arise in this connexion are further discussed in the concluding part of Chapter 5.

The other kind of co-operation is between countries. The balance of payments stands out as a dominant consideration—frequently the dominant consideration—in the minds of those responsible for moulding a country's economic policy. If it is not an actually adverse balance, it is often the fear of a balance which might become adverse, coupled with limited monetary reserves, which dictates caution. So far as this is the case, it follows that if a considerable number of countries worked out their internal policies in co-operation with one another, each taking into account the effect on its own balance of payments of the policies of the others, the outcome would be more expansionist than that dictated by the play of competition for monetary reserves taking place between countries, each acting on the false assumption that its own policy will have no influence on those of the others.[72] Co-operation of this kind is particularly advantageous between countries each of which, one way and another, has to limit its imports to what its exports will pay for. This criterion covers most of the countries of Europe, but it also covers many of the countries which produce primary products, the trade of which has enjoyed little share in the recent growth in the trade of western Europe.[73] For the future growth of this trade and of that between European countries, as well as for the achievement and maintenance of adequate levels of investment and general economic activity, it is particularly important that countries whose balance-of-payments positions are strong in relation to those of others should not needlessly resort to measures of domestic contraction under the influence of restrictions which countries in a more exposed position may find necessary.

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[72] e.g., " From the Swedish point of view it is of special interest to watch developments in Great Britain, where the present economic policy is aimed at expanding exports and shrinking imports." *(Konjunkturläget, Hösten 1955*, op. cit., p. 83). Cf. also *Economic Survey of Europe since the War*, Geneva, 1953, p. 52.

[73] See Chapter 1, Section 4.

Chapter 4

FINANCIAL OBSTACLES TO INDUSTRIAL INVESTMENT IN WESTERN EUROPE[1]

1. Introduction

The ease with which industrial investment can be financed is important for the reasons which have been indicated in the preceding two chapters. Investment as a whole does not always and everywhere take full advantage of the physical resources available. This is partly because of sluggishness in responding to opportunities and partly because consumption often takes up surplus resources which might have gone to investment. Investment in industry is particularly slow in reacting to opportunities for expansion; but this area of investment is also particularly sensitive to adverse influences. The result is that the pattern of investment as a whole is likely to be biased in the sense that there would be a social gain if a certain part of resources were transferred to industrial investment from some kinds of amenity investment (the construction of dwellings in particular) and even sometimes from other kinds of productive investment (such as in transport and power production) which, though justifiable taken by themselves, can sometimes be postponed or carried out in a less capital-intensive form. In addition, the pattern of investment within the industrial sector itself is capable of improvement, in the sense that promising development does not always take place as rapidly as is desirable.

For all these defects, financial obstacles are partly responsible. They take two forms. In the first place, the terms on which finance is available vary more than is justified by the difference in risk, if assessed on as objective a basis as is feasible. The operations of the industrial sector by their nature involve risks quite different in degree and character from those involved elsewhere. But in general this difference seems to be excessively reflected in the difference in the methods and terms of finance. Secondly, and equally important, the terms are usually turned heavily against the individual firm as it tries to increase the amount of finance which it raises, the point of an absolute limitation being often reached.

It may be argued that what is often apt to be lacking is the spirit of enterprise, supported by confident and generous profit expectations, rather than finance. This is in a sense true. But so long as financial obstacles persist it is possible by lowering them to exercise an influence which runs counter to that of flagging enterprise. Furthermore, few things are more inhibiting to creative and imaginative endeavour than the knowledge that, even if promising plans were evolved, the necessary finance would not be available on reasonable terms.

The existence of financial defects throws a heavier weight on monetary and credit policy than it should properly bear. When the object is to stimulate investment, risk-free rates of interest have to be pushed down lower than would otherwise be necessary. This will mean a less perfect pattern of investment than might have been attained—the more desirable and the more risky forms of investment, and therefore industrial investment in general, being inadequately stimulated. To try to avoid this result, direct controls on other forms of investment have often to be maintained. In so far as they are the limiting factor rather than rates of interest, they are likely to be operated in such a way that the investment which they govern responds inadequately to restrictive influences at times of dear credit, but responds far more readily to the stimulus of cheap money. This explains the conclusion, which would otherwise be paradoxical, that industrial investment, while relatively unresponsive to cheap money,

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[1] The secretariat has enjoyed the advantages of informal participation in the work of the European Productivity Agency of the Organization for European Economic Co-operation on a project on " Supply of Capital for Industrial Development ". The results of this EPA study are not yet published, but papers prepared by National Consultants for inclusion in the forthcoming EPA report have been made available as follows: on Austria by Dr. E. John, on Belgium by Mr. R. Alloo, on France by Mr. E. Lassalle, on western Germany by Professor H. Rittershausen, on Greece by Mr. G. Halkiopoulos, on Italy by Mr. J. Landriscina, on Norway by Professor E. W. Paulson, on Sweden by Mr. E. Dahmén, and on the United Kingdom by Professor J. H. B. Tew. Where unpublished statistics taken from these national reports or national memoranda are used in this chapter, specific acknowledgements are made, but these do not adequately indicate the extent of the valuable information obtained as a result of participation in the work, and from discussions with the Secretariat of EPA, with the Senior Consultant, the Right Hon. Lord Piercy, and his adviser, Mr. N. Momtchiloff, and with some of the National Consultants.

TABLE 45

France : Capital account of enterprises [a]

Billions of francs

	1952	1953	1954	1955 [b]
Resources				
1. Net undistributed profits after tax	498	291	368	441
2. New issues	111	138	220	260
3. Bank credits and public loans	657	542	548	590
4. Foreign loans	43	—	−26	−20
5. Adjustment	−45	135	102	59
Total	1 264	1 106	1 212	1 330
Allocation				
6. Net fixed investment	473	431	480	592
7. Increase in stocks	392 [c]	137	150	185
8. Funds available for other purposes	399	538	582	553
of which:				
Increase in bank deposits	255	310	295	290
Net increase in securities	60	33	119	83
Net increase in treasury bills	84	195	168	180
Total	1 264	1 106	1 212	1 330
9. Net investment (6+7)	865	568	630	777
10. External finance (2+3+4)	811	680	742	830
11. Self-finance (9−10)	54	−112	−112	−53
12. Self-finance as percentage of net investment	6	..	..	..

Source : Rapport sur les Comptes de la nation, 1949-1955, 1955.

[a] " Enterprises " include companies, unincorporated private enterprises and nationalized trusts, but exclude banks and insurance companies.

[b] Official forecast.

[c] See Appendix C.

suffers too much of the incidence of restrictive measures when restriction appears necessary. It is also relevant that, in so far as the existence of financial obstacles necessitates lower risk-free rates of interest than would otherwise be required, thrift is likely to be adversely affected; and the effect on international capital movements may also be serious.

It is important to remember that the actual magnitude of net industrial investment is small compared with investment as a whole or with such changes in total production as occur over relatively short periods of time.[2] A relatively small increase in the total of investment, or a relatively small decrease in the total of non-industrial investment, can mean a very important change in net industrial investment. The order of magnitudes involved should be borne in mind when the sources of finance are considered in quantitative terms. The important question is the ease with which increases can be brought about which may be large in relation to total investment in industry though small on any other basis of comparison.

To assist in an appreciation of the financial obstacles, both actual and prospective, this chapter examines the ways in which industrial investment carried out in the last few years in certain western European countries has in fact been financed. In particular, an attempt is made to assess the importance of ploughed-back profits in the financing of investment. The more important the part played by ploughed-back profits, the less serious are the financial problems. This ceases, however, to be true if there are firms which to a substantial degree cannot adequately rely on ploughed-back profits and have difficulty in securing external finance on reasonable terms.

TABLE 46

United Kingdom : Capital account of companies [a]

Millions of pounds sterling

	1951	1952	1953	1954
Resources				
1. Net undistributed profits after tax [b] [c]	1 094	466	647	880
2. New issues	158	125	102	183
3. Borrowing and capital transfers [d]	209	−32	36	57
Total	1 461	559	785	1120
Allocation				
4. Net fixed investment [b]	221	159	171	209
5. Increase in stocks	891	−84	20	408
6. Funds available for other purposes [e]	349	484	594	503
Total	1 461	559	785	1120
7. Net investment (4+5)	1 112	75	191	617
8. External finance (2+3)	367	93	138	240
9. Self-finance (7−8)	745	−18	53	377
10. Self-finance as percentage of net investment	*67*	..	*28*	*61*

Sources : Economic Survey, 1955. For changes in the value of stocks, *National Income and Expenditure, 1955,* Central Statistical Office. For depreciation, P. Redfern, " Net Investment in Fixed Assets in the United Kingdom, 1938–53 ", *Journal of the Royal Statistical Society, Series A,* Part 2, 1955, p. 189.

[a] Excluding banking, insurance and other financial institutions. Physical investment by these institutions is regarded as negligible.

[b] Depreciation based on replacement cost. 1954 figure extrapolation by secretariat.

[c] See Appendix C.

[d] This item does not include all other borrowing from outside sources.

Residual item.

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[2] See Chapter 2, Section 2.

TABLE 47

Western Germany : Capital account of enterprises [a]

Billions of DM

	1950	1951	1952	1953	1954
Resources					
1. Net undistributed profits after tax . .	5.3	12.6	10.4	9.1	9.0
2. New issues	0.3	0.3	0.4	0.6	0.7
3. Bank credits	8.5	6.1	6.4	8.5	9.4
4. Borrowing from institutions	0.7	0.7	0.8	1.2	1.8
5. Direct credits	0.9	1.2	2.6	3.3	2.4
6. Other indebtedness and errors	—0.4	—0.4	0.6	0.5	0.5
Total	15.3	20.5	21.1	23.1	23.8
Allocation					
7. Net investment [b] . .	11.0	17.5	17.5	18.7	21.4
8. Funds available for other purposes . .	4.3	2.9	3.7	4.3	2.5
of which:					
Direct claims on foreign countries	—	—	—	0.1	0.1
Net increase in securities	—	—	0.1	0.4	0.8
Increase in claims on institutions [c] . . .	0.1	0.1	0.2	0.2	0.2
Increase in bank deposits	4.2	2.8	3.4	3.6	1.4
Total	15.3	20.5	21.1	23.1	23.8
Net investment [b] (7) .	11.0	17.5	17.5	18.7	21.4
9. External finance (2+3+4+5+6) .	10.0	7.9	10.8	14.1	14.8
10. Self-finance (7—9) .	1.0	9.6	6.7	4.6	6.6
11. Self-finance as percentage of net investment	*9*	*55*	*38*	*25*	*31*

Source : Monthly Report of the Bank deutscher Länder, September 1955.

[a] Enterprises include: private and government undertakings, farmers, liberal professions and house-owners.

[b] Including stock changes.

[c] Building and loan associations and insurance companies.

TABLE 48

Austria : Sources of finance of investment by industry

Billions of Schillings

	1952	1953	1954
ERP credits	1.6	0.6	0.8
Bank credits	0.2	0.6	1.4
New issues of bonds	0.0	0.7	0.0
Self-finance [b]	2.3	1.4	4.0
Net fixed investment [c].	4.1	3.3	6.2
Self-finance as percentage of net fixed investment	*56*	*42*	*65*

Source : Figures given in the unpublished report on Austria by Dr. E. John for the EPA Project. They are based on work done in the Österreichisches Institut für Wirtschaftsforschung.

[a] Industry and small enterprises.

[b] Residual item, including other credits, secretariat figures.

[c] Depreciation 1952 and 1953: Secretariat estimate based on figures for total depreciation given in *Österreichs Volkseinkommen*, published jointly by Österreichisches statistisches Zentralamt and Österreichisches Institut für Wirtschaftsforschung. Depreciation 1954: secretariat estimate.

TABLE 49

Italy : External finance of investment by enterprises

Billions of lire

	1950	1951	1952	1953	1954
New issues [a]	97.2	88.2	122.1	203.8	153.3
Bank credits [b] . . .	292.5	269.9	463.4	493.8	470.6
Credits by specialized institutions [b] . . .	175.6	168.4	177.4	198.2	214.2
TOTAL	565.3	526.5	762.9	895.8	838.1

Source : Assemblea Generale Ordinaria dei Partecipanti — Anno 1954, Banca d'Italia, 1955, p. 349.

[a] Companies' securities quoted on the Stock Exchange.

[b] To enterprises including public institutions and house-owners.

TABLE 50

Denmark : External finance of investment by joint-stock companies

Millions of kroner

	1950	1951	1952	1953
New issues	92	90	79	97
Borrowing	468	394	254	156
TOTAL	560	484	333	253

Source : Statistiske Efterretninger.

This is why it becomes important to investigate the adequacy of external finance, as regards both the terms on which it is available and the amounts. The subject involves difficulties of interpretation because it is impossible to assess the potential need for finance when it is not available, or is available only on onerous terms—few business-men take the trouble to think up investment projects in a vacuum.

Another difficulty of assessment arises from the fact that the degree to which profits are retained and the terms on which external finance is available are closely connected, the interrelationship between the two arising both for any one individual firm taken in isolation and for industry as a whole.

It has been possible to present statistics on the financing of industrial investment for only a few countries. Usually the essential elements are not available or the relevant items cannot be isolated from information which covers a wider range than the private industrial sector dealt with in this study. For the United Kingdom, France and western Germany, tables are provided showing the additions to the financial resources of enterprises or companies and their allocation as well as the sources of finance of their investment. This information is presented in Tables 45 to 47 for several recent years. The sector covered by the table for western Germany includes dwellings, some of the relevant figures for which cannot be isolated, and the information contained in it is therefore of much less significance to the problem under consideration.[3] For Austria only the sources of finance of industrial investment, shown in Table 48 are available, while Tables 49 and 50 are still more restricted, showing only the sources of finance external to industrial enterprises themselves in Italy and Denmark. Figures for finance raised from various external sources are, so far as possible, shown net of repayments. Self-finance is arrived at as a residual by deducting external finance from net investment (the justification for this procedure being given below).

It emerges from the statistics that self-finance played an important, and sometimes predominant, role in the financing of investment; that the share of bank credits varied greatly from country to country; and that, apart from the United Kingdom, the capital market was of minor importance though its role has increased recently. In Italy specialized institutions supplied a substantial part of finance to enterprises. The French figures for " bank credits and public loans " are known to include, in fact, a considerable proportion of public loans (which cover both funds obtained from specialized institutions and direct budgetary allocations). If tables were presented for the Netherlands and Belgium they would, as is the case of western Germany, have to cover dwellings as well as industry, but they would show that, apart from the high proportion of self-finance in total financing, bank credits were more important than the capital market for the Netherlands and that the reverse was true for Belgium.

2. SELF-FINANCE

The statistical basis

It is well known that the ratio of the total savings of industrial firms to total industrial investment is everywhere high, and higher than it was before the war. The relationship is presented in some of the tables. It is worked out on a net basis—i.e., depreciation has been deducted both from undistributed profits and from fixed investment. This deduction is based on replacement cost rather than on statistics derived from fiscal authorities. The justification for working on a net basis is that under normal conditions[4] replacements are naturally financed out of internal resources provided by depreciation and there is nothing at all noteworthy in this. The inclusion in the figures of depreciation would exaggerate the extent to which investment took place without recourse to external finance.

The investment in stocks shown in the tables takes the form of the change in the total value of stocks. It could be argued that for the purpose in question it would be more appropriate to take the value of the physical change in stocks, inasmuch as the changes which are due to changes in prices would be automatically reflected to an exactly equal amount in the figures for net profits, suitably adjusted, and this part of the investment would therefore automatically be financed from internal sources. Apart, however, from the question of any possible influence of such price changes on the distribution of dividends, allowance must be made for their influence on assessments to taxation. For this reason it has seemed best to follow the simpler course and to base the calculations on the total changes in the value of stocks.[5]

The inadequacy of the global approach

Even when the comparison between saving and investment is made net of depreciation, it emerges from Tables 45, 46 and 47 that the saving of industrial enterprises has represented a high proportion of their investment.

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[3] Investment (gross) in dwellings in these years made up between 30 and 41 per cent of total net private investment in western Germany.

[4] If the review had extended back to the immediate post-war years, when conditions were exceptional, this justification would have been less strong.

[5] It is not pretended that this procedure is in any way ideal. It leads to obviously anomalous results when there are big changes in prices. For example, about one-half of the large increase in stocks shown for United Kingdom companies for 1951 (Table 46) was due to stock appreciation. This is part, at least, of the explanation why the figures for undistributed profits and self-finance for that year are out of line with those for succeeding years.

From Table 45 it can be seen that the ratio of total savings to total investment has varied between 50 and almost 60 per cent for French enterprises. Such data as are available suggest that the ratio is high for Denmark and for Austria and comparatively much lower for Belgium. The United Kingdom appears to present the extreme case. Here the comparison, shown in Table 46, relates to companies only.[6] Except in 1951, companies' saving has in the aggregate exceeded companies' investment over the period covered. This has led to the widespread view that in the United Kingdom company savings are more than sufficient to cover company investment.

Such comparisons between undistributed profits and industrial investment, while useful in their way, provide an exaggerated picture of the importance of corporate as opposed to other forms of saving. There are two reasons for the exaggeration and they are closely related:

(1) Even in any one country and at any one point of time, firms are very far from being alike in the relationship between undistributed profits and investment. While some firms enjoy a large excess of savings over investment, for others there is a large deficiency. There is an enormously wide dispersion in this respect and this dispersion plays a very important part in establishing financial obstacles to investment.

(2) Firms may use their financial resources not only to increase their real assets but also to build up liquid assets,[7] and they may do this even though simultaneously they are having recourse to external finance.

Table 45 shows that in France enterprises as a whole have been adding to their liquid assets but have also been raising funds on a substantial scale by borrowing and by making new issues, a clear indication that dispersion is great—some enterprises have had excess funds on their hands, while others have invested funds in excess of their own ability to finance from internal sources. For the United Kingdom, Table 46 shows that, despite the excess of undistributed profits over investment, external finance has in fact been raised for the sector as a whole on a considerable scale.

In other countries also the relationship between the undistributed profits and the investment of industrial firms is very far from uniform. The question of the actual degree of dispersion which exists is a crucial one, but very little quantitative material is available. A Swedish study has been made for the period 1950 to 1952 of a sample of 760 enterprises [8] (representing 55 per cent of the total number of workers employed in industry and about 65 per cent of total industrial investment). The total gross investment by these enterprises averaged Kr. 1,600 million a year and their total gross savings Kr. 1,460 million a year. About one-half of them, however, invested less than they saved, the excess of saving being Kr. 550 million a year, and the other half invested more than they saved, the excess of investment over saving amounting to Kr. 697 million.

For the United Kingdom, a much more detailed study of the 100 largest public companies has been undertaken by the National Institute of Economic and Social Research.[9] The 80 manufacturing companies included in the sample cover approximately 30 to 35 per cent of the total manufacturing activity of British industry. In the period from 1949 to 1953 covered by the study, investment was less than saving for only 33 out of the 100 companies, and as many as 63, representing 74 per cent of the total net assets in 1953/54, drew on external finance by making new issues or by borrowing from the banks, or both.[10] The fact that in this period such a high proportion of this group of companies had to take heed of conditions in the capital market and of the availability of bank credit is in itself a powerful corrective to the conventional view which originates in the use of global figures (though of course the investment of these 63 companies was also largely financed from their own internal resources).

The question of the nature of the use which is made of surplus financial resources by the firms which accumulate them out of profits in excess of their own requirements for investment is a very important one and will be discussed in Section 3 in connection with the supply of risk capital. What is here relevant, however, is that even if—which is far from being the case—all the surplus funds of companies which can finance their investment out of their own resources were employed to hold the securities of other companies, there would still be the problem of attracting corporate savings to the securities of any particular company which was in need of external finance (either because its undistributed profits were low or because it wished to expand beyond what could be financed from its own resources).

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[6] The inclusion of banking, insurance and other financial institutions in the table would result in its telling an even more sensational story (see *National Income and Expenditure, 1955*, p. 65).

[7] The term is here used broadly to cover cash, securities and other assets owned by a firm other than its actual physical assets. In the tables the increase in liquid assets is described, more correctly, as " funds available for other purposes ".

[8] Unpublished report on Sweden by E. Dahmén for the EPA Project. The work in question is based on an investigation carried out by the Business Cycle Research Institute and the Industrial Institute of Economic and Social Research on the basis of material collected by the Central Statistical Office.

[9] The Institute is making a comprehensive study of company finance. Some of the material has been made available to the secretariat and is made use of in this chapter, although no results have so far been published apart from a pilot study (A. Luboff, " The Finance of Public Companies ", *Accounting Research*, October 1953).

[10] It appears that none of the other 37 companies has drawn on external finance at any time since the end of the war.

The method of calculating self-finance

" Self-finance " is best thought of in the first instance in terms of an individual firm. It is that part of the firm's investment which is financed out of its own resources. It indicates the extent to which investment has been conducted without encountering the problems presented by securing external finance. Self-finance, measured in this way for each individual firm, can be aggregated for the whole of industry or for any convenient sector for which figures are available, and then measures the combined extent to which the internal resources of each individual firm have been applied to financing that same firm's investment.

For a single firm self-finance over any period of time is equal to the excess of its investment over the use made of external finance. It follows that for industry taken as a whole the aggregate of self-finance is equal to the excess of investment over the aggregate of funds raised by individual firms by borrowing and by making new issues. This is the basis of the normal method of assessing the amount of self-finance as illustrated for France, the United Kingdom, western Germany, and Austria in Tables 45, 46, 47 and 48 respectively.

This is a somewhat rough-and-ready measure of self-finance. It involves the assumption that firms which resort to external finance do not at the same time add to their liquid assets—in other words, that self-finance is not, for any appreciable number of firms, less than their own undistributed profits in each case. This assumption is not always realistic. When it is not, an awkward problem of intention is raised. Normally a firm builds up liquid assets with a view to being able in the future to carry out physical investment without having to rely, so much as would otherwise be necessary, on external finance (which may become more difficult and expensive) and undistributed profits (which may fall or disappear). Often also it has in mind the possibility of a phase of depression, which it will be able to face more confidently if its liquid assets can stand a heavy drain. Or, again, the firm may have run its liquid assets down unduly low through having in the past invested in excess of undistributed profits at a time when the conditions for raising external finance seemed unfavourable.

Some firms in any particular year will have built up liquid assets by making new issues,[11] while others are running down the proceeds of issues made in previous years or are using up their liquid assets in anticipation of new issues to be made subsequently. Making a new issue is an elaborate and expensive operation, which is usually conducted every few years rather than every year. Also, for individual firms, investment, too, is apt to some extent to proceed by fits and starts. But if self-finance is being looked at from the point of view of a run of years the simplification here introduced will often be legitimate.

The problem is more difficult if, year in and year out, some firms are consistently building up liquid assets with the aid of external finance, without a countervailing running down of liquid assets by other firms. The figures for France in Table 46 show that enterprises as a whole (even with the exclusion of banking and insurance) secured external finance in excess of their investment in 1953 and 1954, and, if the estimates are realized, will have done so again in 1955 (as indicated by negative figures for self-finance for all three years). The reason—or at least a partial reason—seems to be that the urge to invest in this period has been lagging behind the easing of finance,[12] but that French business-men have had in mind that before long conditions may call for a considerably higher rate of investment, which itself is then likely to lead to a tightening of credit conditions. If and when this proves to be the outcome there will be positive self-finance which will offset, and probably more than offset, the negative self-finance of recent years. So long as the calculation of self-finance is conducted with an eye to what it looks like over a period of years,[13] again no difficulty arises. This is the justification of the procedure adopted in this chapter.

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[11] Of the 100 United Kingdom companies which are being studied by the National Institute of Economic and Social Research, a considerable proportion raised external finance in the period 1949 to 1953, although the result was that their liquid assets rose during the period and in quite a number of cases would have risen even without the help of external finance.

[12] As illustrated, for example, in Chart 7, while the banks and special institutions were also by direct help showing a greater readiness to assist industry.

[13] As is indeed necessitated by other considerations too. The heavy year-to-year fluctuations of self-finance, as calculated in Tables 45, 46, 47 and 48 (and the appearance for the United Kingdom in 1952 of a sporadic negative figure) are to be mainly attributed to the volatile behaviour of stocks, and the accounting complications associated with stock movements. The figures can be assessed only in terms of a very rough average over the whole period.

(Continued on next page)

Self-finance appears in Tables 45, 46, 47 and 48 as a residual figure, and, even though year-to-year fluctuations are ignored, the calculation suffers from the liability to random error which usually attaches to a residual. It suffers also from two systematic errors which tell in opposite directions. One systematic error takes the form of failure to bring into the picture the full amount of external finance raised by companies whose shares enjoy no public quotation, and by small firms generally (including personal loans). On the other hand, the figures for new issues must often include issues the proceeds of which are used to buy out vendors of businesses or which are made direct to vendors;[14] they may include some refunding and conversion issues;[15] and repayments of bonds must often escape deduction.

The implications of the statistics of self-finance

Despite all this, the figures for the ratio of self-finance to industrial investment presented in Tables 45, 46, 47 and 48 give some kind of indication of the part played by self-finance (the figures for western Germany being, however, partly vitiated by the inclusion of dwellings). For Sweden the proportion of net investment financed from undistributed profits for the period 1950 to 1952 has been estimated at one-third,[16] and in Denmark it appears that about one-half of new investment is self-financed.[17]

It is evident that self-finance has quantitatively been considerably more important since the war than it was before. For western Germany, a special study shows that self-finance—including, however, short-term bank credits in addition to the statistically non-ascertainable items—amounted to 17 per cent of net fixed investment in 1926–28, rose to 54 per cent in 1949, fell back to 31 per cent in 1950, and rose again to 43 per cent during the Korean boom.[18] Elsewhere it is necessary to fall back on other indications. In the United Kingdom corporate saving was roughly equal to investment by companies in 1938,[19] but has been much bigger than such investment since the war.

The proportion of profits distributed as dividends has generally been much lower since the war. In the United Kingdom the ratio of dividends (net of tax) to net company profits after tax has declined from 66 per cent in 1938 to 33 per cent in 1954,[20] in France from about 75 per cent to 50 per cent,[21] in western Germany from 60 per cent to 41 per cent in 1953,[22] and in Sweden from 68 per cent in 1939–41 to 50 per cent in 1954.[23]

The statistics relating to undistributed profits, and even those relating to self-finance, are often deployed with a view to demonstrating the unimportance of external sources of finance and in particular of the capital market. These statistics are incapable, however, of demonstrating that, if the capital market offered better facilities, considerably more finance would not be raised on it, partly in place of self-finance (dividend distributions being improved) but perhaps largely in addition to it, thanks to a stimulating

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But if a single year (which, after all, is a peculiarly arbitrary period of time to choose as a unit for the kind of investigation which is here being conducted) were taken in isolation, then ideally it would be necessary to try to identify all cases of increase in liquid assets which could be regarded as taking place in accordance with a general trend and not as offsetting decreases of liquid assets sustained by other firms. For each such case the external finance or the increase in liquid assets, whichever was the less, would ideally have to be deducted from the total external finance raised for the whole sector before total self-finance was calculated. This procedure would be based on the rather arbitrary assumption that if in such a case less finance had been available from external sources the shortfall would, up to a point, have fallen on the expansion of liquid assets and not on the firm's investment.

This same procedure should ideally be applied, even when a term of years is under review, to any case in which a firm was intending to build up permanently its non-physical assets, perhaps by way of direct participation in the finance or ownership of another firm, perhaps by way of taking up as an ancillary activity the business of being an investment trust, perhaps by way of growth of liquid assets with the growth in the size of the firm.

The same sort of difficulty arises with a firm which in a particular year repays loans—e.g., reduces its bank overdraft—so as to render negative its resort to external finance. If it is a period of years which is under review, such repayment is offset by the original raising of the loan in an earlier year, or by its renewal in a later year.

Actually it is because of the growing lack of coincidence between the raising of finance and its use for investment that the Bank deutscher Länder has abandoned the publication of figures of self-finance (such as appeared in its *Monthly Report* in 1953). See *Monthly Report*, October 1953, March 1954 and September 1955.

[14] These are excluded from the figures for United Kingdom new issues published by the Midland Bank, but the figures reproduced in Table 46 from the *Economic Survey* are those published by the Bank of England.

[15] These are excluded both from the Midland Bank and from the Bank of England figures.

[16] E. Dahmén in the report mentioned above.

[17] V. Kampmann, " Finansieringen af Investeringerne ", *Nationaløkonomisk Tidsskrift*, Nos. 1 and 2, 1955, being a lecture given by the Danish Finance Minister to the National Economic Association.

[18] *Statistisches Material zur Lage des Kapitalmarktes*, Bank deutscher Länder, 1952.

[19] N. Kaldor, *An Expenditure Tax*, 1955, p. 154.

[20] F. W. Paish, "Company Profits and Their Distribution since the War ", *District Bank Review*, June 1955, p. 9.

[21] The figure for 1938 is derived from M. Malissen, *L'Autofinancement des sociétés*, Paris, 1953, the 1954 figure from *Rapports sur les comptes de la nation, 1949-1955*.

[22] " Wandlungen in den Finanzierungsformen der Aktiengesellschaften ", *Die Weltwirtschaft*, December 1955.

[23] Pre-war figures : E. Dahmén, " Finansierengen av industriens investeringar, 1929-1944", *Ekonomisk Revy*, No. 5, 1945; post-war figures: *Statistisk Tidskrift*.

effect on investment. It may be just as true that firms rely so largely on self-finance because of the unattractiveness or inaccessibility of other sources of finance as that they resort as little as they do to other sources because of the adequacy of self-finance.

This consideration leads on to the following three questions:

(1) Are on the whole the firms which expand most rapidly those which rely mainly on self-finance or those which rely least on self-finance ? The former possibility is suggested by the thought that it is the most successful firms which both make the larger profits and, quite independently, expand more rapidly. But there is some evidence in favour of the latter possibility.

(2) If the firms which expand least rapidly are on the whole those which rely most on self-finance, is it because they are the firms which on the whole would find external finance particularly difficult or onerous to secure ? There is some evidence in favour of this possibility.

(3) Or is it because of lack of enterprise and not only of lack of finance ? Here again there is some evidence that this factor also operates. This would accord with the *prima facie* view, but the question is a very difficult one to answer on the basis of factual evidence.

The fact that of the 100 largest British companies which are being studied by the National Institute of Economic Research a high proportion have derived part of their resources from external sources has already been mentioned. It is also true that a high proportion of the total investment conducted by the group involved external finance. And, on the whole, the companies for which expansion was greatest[24] were the companies which relied partly on external finance.

If the results for these 100 largest companies are aggregated and compared with those for all companies, given in Table 46, it is found that their net investment and their resort to external finance are a relatively large proportion of the total, and their undistributed profits (as well as their depreciation) a lower proportion. The implication is that, being large companies able to make new issues on favourable terms, they were thus encouraged to expand more rapidly than the others. The National Institute is also investigating a much wider group of companies, numbering about 2,500, comprising all those with public quotations for their securities. Here again net investment is a relatively high proportion of the total, compared with undistributed profits, the implication being that the companies with access to the stock exchange are the ones able or encouraged to expand more rapidly. Their depreciation is also a relatively high proportion of the total, which suggests that, while the companies whose shares are not quoted make good profits, their capital equipment is relatively out of date.

On the other hand, it is to be expected that the companies whose securities are dealt in on the stock exchange tend, compared with the others, to be the ones whose managements are relatively efficient and progressive, and that this will be especially marked in the case of the largest companies. To some extent, then, the relatively slow growth of the smaller companies, and—usually the same thing—of the companies without public quotations for their securities, must be the result of lack of enterprise and not only of lack of finance. And this is confirmed by the unduly heavy concentration on these companies of the total accumulation of liquid assets.

An investigation of small manufacturing businesses in the United Kingdom, carried out under the auspices of the Oxford University Institute of Statistics, raises the same question whether the reason why some firms do not resort to external finance is that they do not under any circumstances want to expand at a rate higher than they can cover from their own resources, or whether it is because the external finance is difficult and onerous for them to obtain. So far there is available only the result of a pilot study for the Birmingham area.[25] Out of 82 firms, 24 during the period 1947–53 had relied entirely on their own resources. These firms did not, on the whole, expand as much as the others. Their attitude as to the rate of expansion which they would desire was also less ambitious. None of them had ever tried to secure funds from an external source and, when asked why not, all but three replied that they had no need of external finance. It is suggested that this might be " explained by their having relatively near horizons, and hence lower expansionary targets ". The important question is whether this relative lack of enterprise arises from the particular character of the managements of these firms or whether it is instigated by the knowledge that resort to external finance may necessitate accepting onerous terms. Business-men do not spend time and energy in contemplating plans which are purely conjectural. When a business-man is asked why he does not wish his firm to expand faster he has in mind the terms on which the necessary finance might be secured, and his horizon obscures projects which would be profitable only if the terms were more generous. But there are of course many other factors which he has in mind as well, quite apart from questions of prospective profitability and risks. There are the technical and administrative difficulties of rapidly expanding the size of an organization. And many business-men prefer to keep their businesses reasonably small, so as to remain under their personal control.

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[24] As measured by the ratio of gross investment to net assets.

[25] Colin Bruce, F. A. Burchardt & E. B. Gibb, " Small Manufacturing Businesses: A Preliminary Report on a Pilot Survey ", *Bulletin of the Oxford University Institute of Statistics*, August 1955. It is pointed out that the sample is very small and the conclusions must be regarded as extremely tentative.

A French study of a sample of 1,225 industrial firms, of which 1,063 carried out investment in 1954, provides a break-down of sources of finance according to the size of the firm measured by the number of persons employed. Table 51 shows that the ratio of self-finance to total finance declined with the increase in the size of the firm. The proportion of firms which did not raise outside funds at all also varied inversely with the size of the firm. It ranged between 52 per cent among those employing less than 100 persons and 27 per cent among those employing more than a thousand persons. When questioned in the course of the investigation why they had not carried out any investment in 1954, the answers of the 162 firms concerned were distributed in the following way: 17 per cent stated that their programme of expansion had been achieved before 1954; 42 per cent that expansion was not necessary in view of the general market situation; 22 per cent that they could not obtain the necessary finance; and 25 per cent that they did not borrow because the terms were too unfavourable. Thus almost one-half of the firms which did not invest at all refrained from doing so because of financial obstacles. It seems safe to conclude also that some of those which did expand would have expanded faster had finance been more easily obtainable.

TABLE 51

France : Sources of finance of a sample of industrial enterprises [a]

Percentages

	Self-finance	Bank credit	Capital market	Public funds
Numbers of employed:				
Less than 100 . . .	75	21	1	3
From 100 to 200 . .	63	28	3	6
From 200 to 1 000 .	60	29	5	6
More than 1 000 . .	55	28	11	6
All companies in the sample	57	28	9	6

Source : Conjoncture et mouvement des affaires, Institut national de la statistique et des études économiques, December 1954.

[a] 1,225 industrial enterprises.

Further enquiries of the kinds here described are urgently needed and until such enquiries, conducted on a micro-economic basis, have been extended, it is very difficult to make confident inferences from the global figures. For example, despite the amount of attention given to the subject in the United Kingdom, it is still very difficult to assess to what extent investment in that country would be hampered as a direct financial result of an all-round increase in the taxation of company profits. While it is clear that there are many firms whose undistributed profits are in excess of their needs, it is far from clear what is the relative importance of the remaining firms, which would to a greater extent be forced to accept the less attractive alternative of external finance.

The future of self-finance

An important question is whether the relative prominence of self-finance is to be regarded as a passing phase. This turns partly on the development of the global relationship between undistributed profits and industrial investment, partly on the development of the degree of dispersion between firms of this relationship, and partly on the desire of firms to go on building up liquid assets. To deal with the last point first, whether self-finance can continue on anything like the scale of recent years depends on whether liquid assets will run down. For most countries for which data are available, liquid assets, in the aggregate, have been increasing or, at least, have not been declining in recent years (see Tables 45, 46, 47 and 48). In France, as already pointed out, the rate of increase in liquid assets has been high and sustained. For the United Kingdom, liquid assets for all companies taken globally were increasing steadily and sharply until 1954, when there was a slowing-down of the increase. A similar development has taken place in western Germany. Liquid assets of a sample of Belgian enterprises ranging from 3,591 to 4,420 have also been accumulating each year from 1949 to 1953.[26] In the Netherlands, on the other hand, liquid assets in the private sector have been subject to sharp fluctuations. In Norway, for which no figures are available, it is thought that liquid assets are still higher than before the war although they have been falling in recent years.

On the prospective development of the degree of dispersion between firms it is not possible to generalize.

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[26] *Etudes complémentaires au compte rendu,* Caisse générale d'épargne et de retraite de Belgique.

It is partly a matter of dispersion between industries[27] and here perhaps a further widening can be expected.

The relationship between undistributed profits and industrial investment depends on that of total profits to industrial investment and on the proportion of profits withheld from distribution as dividends to the shareholders. As to profits, there is some reason to expect that as capital accumulates the share of profits in total national income will decline,[28] although such a decline cannot be foreseen with great confidence and, in any case, is likely to proceed only very slowly. In so far as it does occur and in so far as the ratio of investment to income does not fall, or at least does not fall so fast, the ratio of profits to investment will decline.

The important question, however, is whether the retention by companies of such a high proportion of their profits is likely to continue, and whether the gap, which has been so much widened, between total and distributed profits will not in time resume more normal proportions. There is evidence that this has already happened to a certain, although still limited, extent for France, where the ratio of dividends to net company profits has already risen from 30 per cent in 1950 to almost 50 per cent in 1954. The view that dividend policy is likely to become more generous is supported by the record of the past few years.[29] There has been a reluctance on the part of boards of directors to push up dividends as fast as profits. So long as there is some gradual increase as years go by in the nominal rate of dividend, the shareholders as a body are very unlikely to make any protest. Indeed, the recipe for a contented body of shareholders is a slowly rising dividend rate so designed that a reversal of the trend is unlikely ever to be called for. A board of directors is interested in the expansion and prestige of its company as well as in the claim of its shareholders on the company's profits. But it will want to ensure that its shareholders are reasonably contented and, partly in the direct interests of its shareholders and partly in order to facilitate the raising of new capital, it will want to see an increase in the company's profits gradually reflected in the market price of the shares. All this points to a narrowing of the gap between dividends and profits. It is true that, with high and steeply progressive taxation of personal incomes, it suits the richer shareholders to retain in the company a large part of their share in the profits, so that they can eventually secure it in the form of an increase in the real capital value of the assets. But this increase will be fully reflected in the market price of the shares only if eventually the dividend distribution keeps pace with the profits.

Present-day dividend policy is still under the influence of appeals for restraint made in the earlier post-war years, which in some cases have been renewed.[30] These appeals are largely directed to discourage demands for higher wages, although they are prompted partly by the relationship between the distribution of dividends and the consumption of the shareholders. In some cases the management of a company will be influenced by the attitude of its own workers, but this again points against a dramatic increase in any one year in the rate of dividend rather than against a gradual narrowing of the gap between dividend payments and profits.

In most countries, if the system of corporate and personal taxation is considered jointly, it works in favour of the retention of profits. But this is part of the permanent fabric of taxation systems. In addition, however, in the United Kingdom and Denmark tax rates discriminate against the distribution of profits.[31] This discrimination must, however, be considered as temporary and the tendency is likely to be in the direction of reducing such discrimination.[32]

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[27] The investigation of 2,500 United Kingdom companies which is being undertaken by the National Institute of Economic and Social Research shows that the steel, silk and rayon, clothing and footwear industries, and, in the past two years, the cotton industry, have had to draw on their liquid assets though not in the aggregate by very much.

[28] An exception is likely to be provided by those countries in which resources are not yet fully utilized. For in such countries there is a case for allowing demand to press more heavily on available capacity, and furthermore the expansion of the stock of capital will for some time go hand-in-hand with an expansion of the employed labour force.

[29] In the United Kingdom total payments, gross of income tax, of dividends on ordinary shares (partly attributable to the issue of additional capital) increased in 1950 by only 19 per cent over those of 1938, but by 1954 the increase over 1938 amounted to 80 per cent (*National Income and Expenditure, 1955*, Central Statistical Office). In the first three quarters of 1955 there was a further increase of about 20 per cent over the same period of 1954 (Quarterly Supplement to the *Treasury Bulletin for Industry*, December 1955, quoting *The Financial Times* figures).

[30] In Norway, legal restriction on dividend payment to a maximum nominal rate of 5 per cent is generally still in force, but exceptions are made if this would reduce the yield on the total capital of the company below 3½ per cent.

[31] The rates are now 27½ per cent for distributed and 2½ per cent for undistributed profits in the United Kingdom. In Denmark the tax burden increases with the proportion of profits which is distributed. In western Germany and in Norway, on the contrary, the discrimination works in the opposite direction, with a tax on undistributed profits higher than that on distributed profits. In the former country the purpose of this is to revive the capital market and in the latter to treat undistributed profits on an equitable basis with distributed profits, which are also subject—as everywhere else—to a tax in the hands of the shareholder.

[32] Cf. the recommendation on this point by the recent United Kingdom Royal Commission on the Taxation of Profits and Income (HMSO, Cmd. 9474, Chapter 20). In fact, however, the rate on distributed profits was actually raised from 22½ to 27½ per cent in the Budget of 26 October 1955.

The ultimate question is not so much the extent to which investment is self-financed as the degree of selectivity which even this method of finance imposes upon the choice of investment projects. It is wrong to think purely in terms of a choice between the profits resulting from physical investment and the return, which is usually a very low one, which a firm receives on its liquid assets. Although a board of directors is likely to seize the opportunity presented by an increase of profits to withhold part of it from distribution to its shareholders, it will usually recognize that ultimately distributions have to match profits. In so far as a sacrifice is imposed on the shareholders for the purpose of providing for the self-finance of investment, it would be going too far to suppose that it is ignored by the management. In other words, the expected return from the investment which is the occasion of the sacrifice must be sufficiently large to justify the sacrifice in the management's eyes.[33] The sacrifice of the shareholders is not only one of income but is also represented by the market price of the shares, which would be higher if the dividend were raised. It thus takes a form of direct consequence to the management, since a higher market price of the shares would mean that new issues could be made on more favourable terms.

As against the significance of self-finance in facilitating investment in the absence of an efficiently functioning capital market, there are some adverse features of this method to be considered. Quite apart from the drag on the total level of investment, reliance on self-finance tends to concentrate investment on existing enterprises. Industries with high profits are not necessarily those in which expansion is most needed from the general economic point of view. This is especially so where there have been restrictions on price policies. Thus in western Germany prices had been fixed at low levels in some basic sectors of the economy, such as coal-mining, steel production, the railways and the production of electricity, with the result that opportunities for self-finance were very restricted. This became evident when bottlenecks developed during the Korean boom in those sectors. Moreover, expansion which is concentrated on the more profitable enterprises also involves a strengthening of the forces of monopoly. For a new firm to achieve an excess of saving over investment usually takes time and it takes still more time to build up a reserve of liquid assets. " Self-financed investment is determined by past and present profitability of already existing businesses. The market can finance any kind of hope. Self-finance is the privilege of an already-acquired prosperity." [34]

The fact, however, that the undistributed profits of companies or industrial enterprises are of the same order of magnitude as industrial investment cannot be dismissed as a complete coincidence. It is true that the match between corporate saving and industrial investment becomes extremely imperfect, as a result of the high degree of dispersion, as soon as it is individual firms which are under investigation. But the difficulties which confront a firm which is trying to raise more than a limited amount of finance from external sources are often such as to cause its investment to be partially limited by its own ability to save; while it is clear too, by the same token, that a firm will try to retain sufficient profits to finance a large part of outstandingly profitable investment opportunities. That industrial investment should in this way be limited by the economic and human factors underlying corporate saving seems arbitrary and disharmonious, but it helps to explain the low figures for net industrial investment, as presented in Chapter 2. If it is reasonable to foresee that corporate saving will tend to fall relatively to national product, or at any rate that it will require very attractive profit expectations to provide sufficient incentive to prevent it from falling, it does not augur well for any substantial improvement in the trend of industrial investment such as might be rendered physically possible as a result of the operation of economic policy and economic progress.

These considerations lead on to a discussion of the capital market as a source of finance.

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[33] A company which is financing its investment both from outside sources and from its own resources will presumably adjust its policy in such a way as to balance this sacrifice against the cost of raising finance from outside. For a company which does not resort to external finance at all, the sacrifice can presumably be regarded as less than that which would be entailed in external finance. The consequent adverse effect on the pattern of investment is often emphasized. An even more extreme view is taken by Mr. Kampmann, the Danish Finance Minister: " I believe that there are many undertakings in Denmark [relying on self-finance] where . . . economic reasons are not the sole factor in determining whether investment shall be made or not. " (Loc. cit.)

[34] J. N. Jeanneney in the Introduction to M. Malissen, op. cit.

3. The capital market

Fixed-interest securities and shares

Industrial securities can broadly be divided between fixed-interest securities and shares.[35] Corresponding to the return, based on the market price, on a fixed-interest security is the prospective yield (earnings yield rather than dividend yield), also based on the market price, on a share. The former will normally be less,[37] provided that the recipient of the income derived from a security is taxed in the same way whether the security is a fixed-interest security or a share.[38] But if the proportion of a firm's capital which is represented by fixed-interest securities is a high one, the owners of these securities will be taking an appreciable part of the risk and will demand a correspondingly higher return. Also, if the proportion represented by fixed-interest securities is high, the income derived from the share capital will be subject to heavy fluctuations, and here again the owners will therefore demand a correspondingly higher prospective yield. This means that the capital structure of a company has to be kept in some sort of balance. But the value of the shareholders' interest in a company's capital can rise, not only as a result of new shares being issued, but also as a result of the retention of profits. If profits are retained on a sufficient scale it will be possible for the company to confine its resort to external finance to the issue of fixed-interest securities (and to borrowing from the banks). In general, however, over a term of years, shares as well as fixed-interest securities have to be issued in order to keep the capital structure in reasonable balance. The ability of the market to absorb shares is therefore a vital consideration. It will be seen that the actual magnitude of issues of shares is low, but this may be an indication of a defective market as much as, or more than, of its unimportance—in other words, the usual issue of the cause and effect presents itself.

A tax on corporate profits increases the relative advantage of issuing bonds rather than shares as a means of securing finance. In so far as the interest on the bonds is deducted before the taxable profits are assessed, the substitution of bonds for shares reduces the tax liability. This discouragement of finance by the issue of shares is, quantitatively considered, very significant. Thus, to take one example, if a French company's bonds and shares happened to offer the same yield to the owner and the cost of the bond interest to the company was effectively 7.3 per cent, the dividend yield sacrificed by the company in making an issue of shares would be 12 per cent. Much the same figures would apply to Belgium.[39] What it really comes to is that taxation of corporate profits, which is additional to taxation of incomes, is taxation of enterprise, but that its incidence is reduced by the issue of bonds. By discouraging the issue of shares it causes the prices of shares to be higher, and their yields to be lower to the owner of the shares, than would be the case if the same amount of tax was collected without exemption for bond interest. A further discouragement to the use of shares for securing finance is exercised in those cases, some of which are noted below, in which the recipient of the income is taxed more heavily when the source of his income is a share than when it is a bond. This kind of discrimination manifests itself, *ceteris paribus*, by depressing the prices of shares, and raising the yields on them, compared with those of bonds, thus making it relatively less attractive to managements to issue them.

The defects of the capital market

The defects of the capital market can be broadly considered in three separate categories:

(1) The yield on a share is often unduly high, in relation to any objective assessment of the prospects and risks involved, so that an investment project has to look particularly attractive to a company's management if the financing of it by an issue of shares is to be justified in the eyes of the management. Here it has again to be emphasized that it is the prospective *earnings* yield, rather than dividend yield, which represents the sacrifice to the existing shareholders involved in raising new capital by issuing additional shares. In so far as a management acts in the interests of existing shareholders it is the earnings yield which it should regard as the cost of additional capital secured by an issue of shares. Managements are, it is true, influenced also by other considerations but not to such an extent that the earnings yield on the shares is not an important deterrent to expansion. Consideration of dividend yields is very misleading—still more so if such consideration is confined to "market leaders". The fact that in general dividends constitute only a

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[35] By "shares" will be meant "ordinary shares", "preference shares" being regarded as fixed-interest securities.

[37] Some apparent exceptions are discussed below.

[38] Exceptions are noted below.

[39] On the assumption in both cases of a full distribution of earnings on the shares.

modest proportion of company earnings has already been supported by illustrative statistics. Even when there is no reason for fearing a decline of earnings, a yield based on the past year's earnings in the neighbourhood of 15 to 20 per cent[40] is at the present time not untypical of shares in the United Kingdom enjoying a relatively good market, accompanied by a dividend yield based on the past year's dividend of 5 to 6 per cent. Similar illustrative figures could be quoted for other countries. A rate of anything approaching 20 per cent must be regarded as a severe test for a company's investment programme to satisfy. Generally speaking, the effective rate is lower for the market leaders, considerably higher for the smaller and less-well-known companies (this is quite apart from expectations or fears that the level of profits will alter in one direction or the other and differences in the degree of conviction with which any such expectations are entertained, i.e., in the degree of risk). Even on fixed-interest securities the yield, except for the leading companies, is also often on the high side when regard is paid to the small amount of risk involved.

(2) As serious, if not more serious, is the limited capacity of the market to absorb additional quantities of a company's securities without the price being appreciably affected. In other words, the market is imperfect—and, in general, it is seriously imperfect. This imperfection serves to limit the amount of new capital which a company can, over any given period of years, raise by making new issues. The more capital which it raises the more onerous are the terms which it has to accept. This defect of the market is much less serious for fixed-interest securities than it is for ordinary shares, additional sales of which have to overcome the obstacle created by ignorance and uncertainty in the minds of potential shareholders. The defect is appreciable for all companies, even the largest, and becomes very serious indeed for relatively unknown companies, whose shares in any case command unfavourable quotations. And of course it is much more serious in countries in which the capital market is still in an undeveloped condition. It takes an extreme form when the quotation of a company's shares is purely "nominal"—a not unusual state of affairs for smaller companies.

(3) The extent to which organized stock exchanges cover, in their market operations, the field of corporate enterprise varies enormously, as is indicated below, from country to country. But even in those countries in which the capital market is fully developed there are numerous companies whose securities are not quoted. These include the smaller companies, and also all new companies whose record of profits is inadequate to secure a quotation. The terms on which, by private negotiation with owners of wealth, such companies can add to the capital put into them by their promoters are, of course, a good deal less favourable even than those which the market, if there were an organized market for these securities, would offer. And the same conditions apply to other forms of external finance, both for corporate and for unincorporated enterprises.[41]

Shortage of risk capital—Lack of demand for shares

These defects are largely associated with the alleged shortage of risk capital, which is so strongly emphasized by commentators in many countries and the existence of which is denied by others. Those who emphasize the shortage are inclined to attribute it to the change in the pattern of savings,[42] in its turn due in part to heavier taxation of the wealthier classes. Public saving is devoted almost entirely to the redemption of risk-free securities or to financing public investment which otherwise would have involved the issue of additional risk-free securities. Corporate saving, in so far as it is not absorbed in self-finance (and it has been indicated that in quite considerable measure it is not so absorbed), is largely devoted to the acquisition of bank deposits[43] and risk-free secur-

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[40] After deduction of profits tax but gross of income tax. Mr. Kaldor points out that "the earnings yield of industrial shares has been twice to three times as high as before the war" (op. cit., p. 164).

[41] It is important to draw a distinction between the question of the availability of funds in an absolute sense and that of the terms on which they can be secured. The pilot study of small businesses conducted under the auspices of the Oxford University Institute of Statistics revealed that "of the 58 firms using external finance, only two stated that they had any difficulty in raising external funds" (C. Bruce, F. A. Burchardt & E. B. Gibb, op. cit., p. 273). What it does not reveal is the nature of the terms which have to be conceded or the effect of these terms in limiting the investment programme for which finance is being sought. Often, no doubt, it is a matter of a bank loan, or some other kind of loan, at a reasonable rate of interest, but such a loan is usually temporary and its repayment out of future profits will entail a sacrifice of personal income of which account is taken in the minds of those who decide how fast they want to expand.

[42] See Chapter 2, Section 4.

[43] For France and western Germany figures are given in Tables 1 and 3. For the United Kingdom an upper limit can be obtained by subtracting from the total net increase in bank deposits "the increase in net personal bank deposits" (*National Income and Expenditure, 1955*, Central Statistical Office, Table 27), with the following result:

1951	1952	1953	1954
Millions of pounds			
−229	249	194	−21

ities.[44] To the extent that it is not matched by self-financed investment, corporate saving suffers from inertness to a degree only less than that of public saving.

It is often maintained that the shortage of risk capital is to be associated with the fall, where there has been such a fall, in the proportion of total saving which now appears in the form of personal saving, compared with before the war. An enquiry into the channels used by personal saving calls for radical qualification of the view that personal saving is highly conspicuous for the spirit of enterprise. It has been seen that a high proportion takes the form of insurance premiums and pensions contributions. An important factor in the supply of finance to industry is therefore the placement policies [45] of insurance companies and pension funds.

In many countries institutions are either entirely precluded from holding shares or such holdings are limited to a small portion of their investible funds. Where there are no such regulations or where the legal provisions are liberal, caution on the part of the management of the institutions often plays the same role. For example, the Swiss old-age insurance authority is prohibited, by law, from investing its huge funds in anything but " mündelsicher " assets. Belgian life insurance companies are permitted to place 15 per cent of their reserves in shares of companies which meet certain requirements, but the actual proportion was only 7 per cent at the end of 1953; for corporate bonds the legal maximum is 28.5 per cent and the actual proportion was 7 per cent; pension funds are entirely prohibited from holding shares; for all institutions—insurance companies, pension funds and savings banks—only 38 per cent of the total funds available for placement were devoted to the industrial sector, and of this total 68 per cent were mortgage loans.[46] In Norway strict legal limitations almost entirely preclude placement in shares.[47] In the Netherlands there has been a marked trend towards the purchase of industrial fixed-interest securities by institutions, but holdings of shares remain very small. In Sweden the holding of shares is limited both by law and by tradition: no part of the premium reserves of life insurance companies can be held in shares and funds other than premium reserves amount to approximately only one-tenth of the reserves.[48] Austrian insurance companies have not yet made up for their war-time losses and have only small amounts available for placement: information obtained for one large insurance company indicates a marked preference for direct loans as opposed to the purchase of securities.[49] In western Germany, too, there are legal restrictions on placement in shares by institutions: of total life insurance companies' security purchases amounting to DM 216 million in 1954, DM 37.7 million consisted of industrial bonds and DM 61.6 million of other securities of which only some were shares.

In the United Kingdom, on the other hand, where there are no legal restrictions, there has been a sharp rise since the war in the proportion of insurance companies' funds held in shares. For 212 companies, covering some four-fifths of business done by British insurance companies at home and overseas, the proportion of total funds held in shares rose from 3.4. per cent in 1927 and 9 per cent in 1937 to 14 per cent in 1954. In absolute terms, holdings of shares in 1954 amounted to a book value of £584 million (the market value of the shares of United Kingdom companies quoted on the London Stock Exchange was £8,908 million at the end of 1954). In 1954 these same companies increased their holdings of shares by over £100 million.[50] For private pension funds, which appear to be accumulating at a rate in excess of £100 million a year,[51] no statistical data are available, but it is thought that their interest in shares is relatively higher than that of insurance companies.

It is clear, then, that of the important part of personal savings which is added to the funds of insurance companies and pension funds, only a small amount is used directly for the purchase of shares. An important part of personal savings is also devoted to the building up of bank deposits and the like, which can be regarded as part of the basis of expansion of bank credit, discussed in the next section of this

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[44] No figures appear to be available. It is difficult to assess the importance of acquisitions by one company of another company's securities which are designed to secure control or are associated with a community of interest. In general it is uncommon for an industrial company to acquire other companies' securities simply by way of placement in the manner of an investment trust. Norway and France appear to be exceptions. Indeed, in Norway quite a substantial part of the total share capital of joint-stock companies is known to be owned by other companies and it is thought that such holdings have increased very considerably since the war.

[45] The French term "placement" has been used for the purchase of securities so as to avoid confusion with the term " investment ", which is used in the physical sense.

[46] Unpublished report on Belgium by R. Alloo for the EPA Project.

[47] Similarly on Norway by E. W. Paulson.

[48] Similarly on Sweden by E. Dahmén.

[49] Similarly on Austria by E. John.

[50] J. W. J. Levien, retiring chairman of the British Insurance Association (*The Times*, 2 July 1955).

[51] C. T. Saunders, " Some Problems in the Estimation of Personal Savings and Investment " read before the Manchester Statistical Society, 10 November 1954, *Review of Economic Studies*, 1954-55, No. 58.

TABLE 52

New issues of shares by enterprises

Country and unit of currency	Value in national currency				Percentage of all new issues [a]			
	1952	1953	1954	1955	1952	1953	1954	1955
United Kingdom *(millions of pounds)*	88	44	73		*67*	*40*	*35*	
France [b] *(billions of francs)*	..	57	79	67 [c]	..	*41*	*36*	
Western Germany [d] *(millions of DM)*	259	269	453	1 500*	*65*	*45*	*65*	
Italy *(billions of lire)*	107	192	147		*88*	*94*	*96*	
Netherlands *(millions of guilders)*	74	5	33	142 [c]	*93*	*61*	*54*	*99* [c]
Belgium [d] *(billions of francs)*	1.7	0.9	2.1 [e]		*55*	*39*	*58*	

Sources : See Appendix C.

[a] In the sector " Enterprises ".

[b] Excluding financial securities.

[c] First half.

[d] Figures for all new issues include dwellings.

[e] Provisional.

chapter. Of the rest, only a small part can be regarded as in any sense available for buying shares. Nostalgic pleas for a further move towards the pre-war situation are, however, supported by the argument that, even though personal saving has recovered in some countries so remarkably in the last few years, it is too heavily concentrated in the hands of the less wealthy section of the community to retain its vital flavour. For the United Kingdom the nostalgic view finds no basis in statistical estimates (but they are rather conjectural). In 1939, which seems to have been a relatively good year for personal saving, only about £135 million appears to have been left over out of personal saving after covering the needs of investment in agricultural and other unincorporated enterprises, and after meeting the net capital outgoings on housing and insurance and pension commitments. More than the whole of the equivalent of this sum went into government National Savings Certificates.[53]

It is true that the annual addition to the total stock of shares through new issues is also very small in amount, and that in relation to new issues the amount of new saving directed to the purchase of shares no longer looks small. The figures for recent years which are available for the United Kingdom, France, western Germany, Italy and the Netherlands are set out in Table 52. But once again it is a question of cause and effect. It may be that issues of shares are so small because the yields on shares are so high (with the result that the issue of shares is unattractive to managements), because the markets in shares are so imperfect, and because so few shares are quoted.

It is, however, wrong to think purely in terms of the annual flow of shares on to the market and the annual absorption. What determines the price level of shares in relation to that of risk-free fixed-interest securities is the total accumulated stock in relation to the willingness of persons, institutions and corporations to hold shares as opposed to other forms of holding wealth. A discrepancy between the annual inflow and the annual offtake is of importance only over a term of years, when it has had time appreciably to modify the size of the total stock in relation to the attitude towards shares of the owners of wealth. What is really relevant is that the more equal distribution of wealth, the growing tendency of personal wealth to be incorporated in insurance policies and pension rights, the growing tendency of personal wealth, in so far as it is held in the form of shares, to be represented by liquid assets of companies, and, in certain countries in which public saving is important, the fact that public debt does not rise *pari passu* with public investment,[54] all serve to keep the prices of ordinary shares lower than they would be if these forces operated less strongly or did not operate at all, and to keep the market in shares more imperfect and less comprehensive than it would otherwise be.

Remedies for shortage of risk capital

It is not argued here that the right remedy is to transfer more of the burden of taxation from the wealthier to the less wealthy classes. The social implications must be regarded as dominant. The trend which they dictate may have some adverse influence on the supply of risk capital, but the right course seems to lie in identifying the influence and in considering alternative methods of counteracting it, such, for example, as those indicated in the concluding section of this chapter.

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[53] Figures derived from C. T. Saunders, op. cit.

[54] Nationalization, at the moment at which it takes place, has the contrary effect, as also has the substitution of public investment, financed by government or State-guaranteed securities, for private investment, which makes demands on the supply of risk capital.

Nor is it argued that the right remedy is to reduce taxation all round, in the hope that the reduction in public saving will be offset by an increase of personal saving. This is an argument often used, and it has exercised a considerable influence on public policy.[55] It is sometimes, though not sufficiently readily, recognized by those who use this argument that such a change in the pattern of saving will be accompanied by an increase of consumption—since a reduction of the burden of taxation leads to additional consumption as well as to additional saving. However, it is then claimed that the increase in the *quality* of saving will more than offset the net falling-off in total thrift. But at times when the case for public saving rests on the pressure by competing demands on limited productive resources—i.e., on the desirability of limiting the demands of consumption—this claim is very unconvincing. It is particularly so when it is remembered that in the course of any one year, or even a period of several years, it is only to a small extent that the supply of risk capital can be altered by tax remissions, which in any case cannot amount to much in relation to the total stock of wealth held in forms which involve risk and a large part of which will be used by the taxpayers, not only to increase consumption, but also to accumulate wealth in relatively risk-free forms.

The prospect, already noted, that dividends will again be distributed more generously will itself help the capital market just at a time when investment will be less readily self-financed and when, therefore, it is particularly important that the capital market should be more easily accessible as a source of external finance. The capital market will be helped in two ways. First, there will be a change in the pattern of saving—away from corporate to personal saving. Again at the expense of an increase of consumption, there will result a gradually growing effect on the supply of risk capital by persons—and this time the expansion of personal incomes will be concentrated on those who *ex hypothesi* are in the habit of owning shares. Taken by itself, this result can provide only a partial offset to the reduction in the supply of self-finance, which is an important and large part of corporate saving.

But there is a more important consideration. The withholding of profits from distribution to the shareholders has a direct responsibility for a high earnings yield on the shares of the company in question. The reason is that the market price of a share is dominated by the actual dividend far more than by the earnings. While the need for finance to cover investment programmes has been one of the major causes of dividend restraint, with a change of atmosphere there is likely often to come a point in a company's history at which it seems preferable to cultivate the capital market in its own shares by a more generous dividend policy rather than to regard the quantity of self-finance as more important than the terms on which external finance can be secured. Such a trend, despite the encouragement to shareholders' consumption with which it is associated, would be regarded by many commentators as healthy, provided that it did not seriously prejudice attempts to secure moderation of wage movements.[56]

Discussions about shortage of risk capital

The question whether there is a shortage of risk capital is from many points of view a purely verbal one. It is, however, much discussed. Appreciation of such discussions is not easy because interwoven into them is a considerable amount of special pleading, often unconscious in character, for tax concessions. There are, however, more authoritative statements, a selection of which should be recorded. In the Netherlands, " it would seem that on the whole finance has not during the last years been any serious problem ", because " relatively large profits have been available of which a great part has been ploughed back "; nevertheless the view is held that some thought should be given to the means of increasing the supply of risk-bearing capital, for " the supply of funds to the capital market is abundant only in relation to the effective demand."[57] In Austria in 1953 "despite successive reductions of the bank rate from 6 to 3½ per cent, long-term interest rates have remained high and the capital market narrow."[58] And in Denmark, also in 1953, "so far as the capital market is concerned, many new and expanding firms find access difficult."[59]

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[55] See Chapter 3.

[56] The recommendation, mentioned in an earlier footnote, against discrimination in favour of retention of profits made for the United Kingdom by the Royal Commission on the Taxation of Profits and Income is discussed in their general " Memorandum of Dissent " by three of the members (Mr. G. Woodcock, Mr. H. L. Bullock, and Mr. N. Kaldor): " In the absence of the taxation of capital gains there is no alternative but to discourage the making of capital gains through appeals to dividend restraint and through institutional measures of various kinds. Once capital gains are brought within the scope of taxation, however, the problem takes on an entirely different aspect. For in the long run a private-enterprise economy is likely to function more efficiently if neither higher dividend distributions nor the emergence of capital gains is prevented by discriminatory measures. " (HMSO, Cmd. 9474, p. 388.)

[57] Minister of Economic Affairs, *Vijfde nota inzake de industrialisatie van Nederland*, Parliamentary session, 1955/56.

On the other hand, in Belgium, "shortage of capital does not . . . at present seem seriously to be restricting the volume of investment, despite the fiscal arrangements which favour government borrowing; the problem appears rather to lie on the demand side."[60] And "the capital market in France is characterized since the end of 1953 by a great abundance of funds offered and by lack of demand for them. This is true for medium-term bank credits as well as for shares and bond issues."[61]

For the United Kingdom the shortage of risk capital has been widely stressed and has also been emphatically denied. For example : "This survey of the sources of finance suggests that, by comparison with earlier times, the total supply of finance for industrial development may be lower in relation to the need for it and that, within the general shortage, there may be a special shortage of risk capital. It is difficult to demonstrate by direct evidence that this is so, although it has been for some time the current impression of many of us in the City who are closely involved in the problem."[62] Or again : "The fact is slowly emerging that sources of capital external to the firm are gradually drying up. This is the result of a long-term trend deriving principally from the tendency for taxation of personal incomes to become more steeply progressive. While this may be justified on various other grounds, it is a fact of serious consequence for business."[63] On the other hand: "The features of the stock markets and the new issue market, in short, seem to me to give no positive indications of a shortage of risk capital in this context."[64]

It is difficult to assess the significance of general statements about the supply of risk capital. A typical case is that of Sweden. The large enterprises had hardly any difficulty in finding buyers for their shares. But certain categories have had difficulties in securing external finance by issuing shares, especially when the amounts involved were large, the explanation lying partly in the short supply of venture capital provided by private "passive" capitalists, and partly in the traditional investment policies of the great institutions.[65]

The relative inferiority of the position of all firms other than the leading ones becomes even more marked at a time of credit restriction, the incidence of which —for this as well as for other reasons—is therefore highly uneven. In Denmark the effect of recent monetary restrictions has been described as "the disintegration of the money market and of the capital market".[66] For the United Kingdom, a comparison of how the yields of different types of shares had moved between July 1955, when share prices reached a peak, and the end of November 1955, when the credit squeeze had had time to make itself felt, shows that yields had increased least for market leaders, that the pattern was irregular for speculative favourites, and that yields had increased quite substantially for the shares outside the market-leader class.[67]

The favoured position in the capital market of a relatively small number of large companies is the result of the placement policy both of private individuals and of institutions. In the case of private individuals it is largely the result of ignorance of other placement opportunities, as well as of more objective factors. In the case of institutions it results from the importance of liquidity, the lack of which for the securities of the smaller and less-well-known companies is itself one of the symptoms of shortage of risk capital. The result of this concentration of placement policy is that sometimes it is claimed that there is an actual "shortage" of shares. In so far as the shortage is confined to the market leaders, it is not inconsistent with a shortage of risk capital.[68] It means that the yields on the market leaders are unduly low compared with those on other shares. This, apart from the distortion to the pattern of investment, is serious in regard to thrift. Potential saving which is deterred by the fear of rising prices might be attracted into the real values represented by industrial shares, provided that the yields offered by the shares which the ordinary small investor is likely to know about were closer—due allowance being made for differences of risk—to the general level of yields.

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[58] *6th Report of the OEEC*, Vol. II, Paris, March 1955, p. 16.

[59] Ibid., p. 43.

[60] *Economic Conditions in the Belgium-Luxembourg Economic Union*, OEEC, November 1955 (*Seventh Report of the OEEC*, 1956).

[61] P. Mendès-France, *Le Monde*, 25 August 1955.

[62] Sir George Erskine in a Presidential Address, *Journal of the Institute of Bankers*, June 1955.

[63] The Association of Certified and Corporate Accountants, in a Memorandum submitted on 4 July 1952 to the Royal Commission on the Taxation of Profits and Income (*Minutes of Evidence*, HMSO, p. 307).

[64] Lord Piercy, "The Macmillan Gap and the Shortage of Risk Capital", *Journal of the Royal Statistical Society, Series A*, Part I, 1955, p. 5. Lord Piercy is largely concerned with a comparison of the current with the pre-war situation. But there is little reason for supposing that before the war industrial investment in the United Kingdom was following a satisfactory path. Also Lord Piercy does not present any actual comparison of the pre-war and current gaps between the yield on government securities and earnings yields on shares, as opposed to dividend yields, although he admits the importance of earnings yields.

[65] E. Dahmén, op. cit.

[66] J. H. Gelting, "Le problème de la balance des payements du Danemark", *Bulletin bimestriel*, Société belge d'études et d'expansion, August-October 1955, p. 718.

[67] *The Economist*, 3 December 1955, p. 871.

[68] As is pointed out by Margaret Rix, "Not Enough Equities?", *The Director*, June 1955.

The level of share prices

It is implicit in what has so far been said that one of the ways—but only one of the ways—in which a shortage of risk capital shows itself is in the level of share prices being unduly low compared with those of risk-free fixed-interest securities. The rise in share prices of the past two years or so is often spoken of as a boom. It is perhaps better conceived of as a readjustment.[69] The need for readjustment has to be accepted, despite the political and economic objections to a sharp rise in stock-exchange values, including the effect—largely a once-and-for-all effect—on the consumption of those who benefit from capital gains. Chart 7 shows for a number of countries the movement from 1951 onwards of share prices and of dividend yields on shares and of yields on industrial and government bonds. For Switzerland, Norway and Denmark, only share prices and yields on government bonds, and for Austria and Finland, only share prices are available. These charts have to be interpreted with a great deal of caution. In the first place, they present an average of different types of securities and, furthermore, the selection of shares is usually a fairly small one, confined to the leading shares, a strong bias being thus introduced. The data give no indication of the average for share prices and yields for companies as a whole—still less of what the result would be if all companies tried to raise capital through the issue of shares. In addition, for some countries, notably Belgium, France and western Germany, the yields on bonds and shares are not comparable, as personal income from shares is taxed more heavily than that derived from bonds. Despite these limitations, the chart reveal certain major features: it was in the course of 1953 that share prices in most countries started an upward movement. The rise was particularly steep in France, Italy, Finland and Austria, it remained moderate in Switzerland, Belgium and the Netherlands, and there was hardly any change in Denmark.

The rise in share prices is to be associated in part with the revival of easier credit conditions which took place in most countries in the course of the years 1951 to 1953. In fact, a reflection of easier credit on the course of bond prices is marked only for the United Kingdom and in somewhat lesser degree for France and Belgium, but bond prices are not the only link between credit conditions and share prices. The share movement has, however, been much stronger than the minor changes in credit conditions could account for and it persisted beyond the reversal of credit policy which took place in certain countries in 1954, and early 1955, though latterly the movement has been subject to hesitation and setbacks.

The major factor has been the improvement in business activity and profits, and the expectation that high profits and rising levels of activity would be maintained. Another general reason for the rise in share prices is that low dividend distributions in the past and the consequent ploughing back of a large proportion of profits have added to the real value of shares. Expectations of higher dividend distributions have already been generously realized[70] and this realization has strengthened the belief in the prospects for further increases, which in many cases have been promoted by reduction of corporate taxation. In several countries, including western Germany and the Netherlands, the influx of foreign funds, the placement of part of which was in shares, also helped to raise their prices.

The dividend yields shown in the charts are of course based on the most recent dividends actually paid at the relevant dates. The rise in share prices outpaced the rise in actual dividends and dividend yields fell. The spread between yields on shares and on bonds was narrowed. In France, Belgium and

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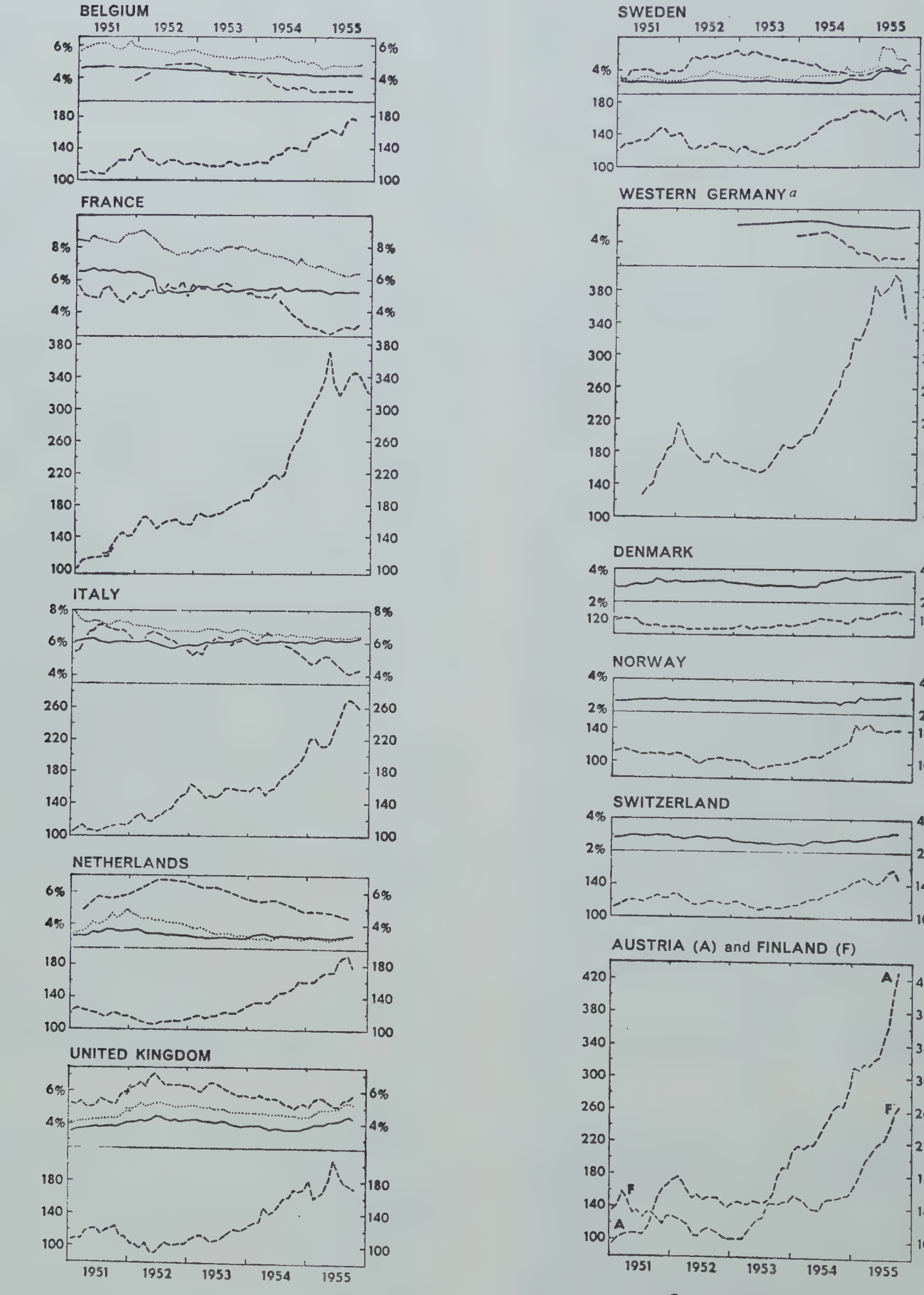
[69] A comparison of share prices and wholesale prices on the basis of an average for 1934-38 shows that even in June 1955, after a certain adjustment had already taken place, the former still lagged behind the latter for most countries. This discrepancy was particularly sharp for Denmark, Finland, the Netherlands and Italy. Share prices had by then just caught up with wholesale prices in Sweden and Switzerland, and in France the former have left the latter far behind. Mr. Nicholas Kaldor points out that, for the United Kingdom at least, "it is well known that, even after the recent rise in share prices, the market values of the majority of the shares quoted on the Stock Exchange are well below the *current* values of underlying assets" (op. cit., p. 164).

[70] Relating the indices of share prices and the dividend yields shown in the chart, average increases in dividend rates between June 1950 and June 1955 on the selection of shares used as a basis amounted to about 35 per cent for the United Kingdom and the Netherlands, about 50 per cent for Belgium and Sweden, and about 100 per cent for France and Italy. In western Germany, average nominal dividend rates for a sample of 936 companies rose from 4.8 to 5.7 per cent between 1953 and 1954; the number of companies in the group paying 8 per cent increased from 122 to 156 and this group now contains the largest number, and the number of companies not paying any dividend at all was considerably reduced (see *Wirtschaft und Statistik*, August 1955).

CHART 7

Security yields and share prices in selected western European countries

Yields in percentages — Index numbers of share prices, 1950=100



Sources : See Appendix C.

[a] A 5 per cent mortgage bond yield is shown in place of a government bond yield.

Italy a large negative gap developed, yields on shares falling below those on both government and industrial bonds, the phenomenon in the case of France and Belgium occurring despite the heavier incidence of personal taxation on incomes from shares. The narrowing of the gap, and its reversal in these three instances, suggests that the shortage of risk capital was becoming far less acute, if it had not actually disappeared, at least so far as its manifestations are concerned. While there is strength in this view, it has to be recalled that it is the expectation of the returns on a share, and not only actual dividends paid, which plays some part in determining its price and that the period in question was one in which, for the various reasons indicated, the expectations of further improvement were strong. Secondly, the fear of a further rise in the general level of prices certainly played a part, particularly in such countries as France and Italy, in inclining some owners of wealth towards shares as opposed to fixed-interest securities. In so far as these expectations and fears are shared by the managements of the companies concerned, exceptionally low dividend yields in which they are reflected do not serve as an inducement to the managements to embark on investment projects to be financed by the issue of shares. For even though the share prices look favourable, they are not really favourable in relation to possibilities of future earnings, or incidentally to prospective prices at future dates of the shares themselves. Finally, it must always be remembered that the price movements and yields shown in the chart cover only a small section of productive enterprise.

Apart from these special considerations, the rise in the prices of shares, accompanied by a fall in yields, can be expected to show itself in a greater readiness to issue shares. The response is subject to a time-lag, but such figures for 1955 as it has been possible to include in Table 52 show a big increase in issues of shares, and indications from other countries bear this out, though an important effect must also be attributed to the tightening of bank credit and the associated rise in yields on fixed-interest securities which started in some countries towards the end of 1954.

The effect of taxation of corporate profits in discouraging investment financed by the issue of shares has already been noted. A more particular kind of discouragement is exerted in certain individual cases —particularly, it appears, in France and Italy—by the fear of loss of control or of the creation of a situation in which some rival interest could, by buying shares heavily, secure control. Such fears are, however, less acute when the shares are quoted at reasonable prices than when they are unduly low. The issue of shares with less than full voting rights, or without voting rights, would provide a solution, but the issue of non-voting shares is prohibited by law in many countries—for example in France, Sweden, Belgium and Italy. In western Germany there are no legal restrictions, but there are adverse fiscal considerations. In Norway, non-voting shares are unpopular with buyers, but in the United Kingdom, where the device is widely practised, the difference between the prices of voting and non-voting shares is usually very small.[71]

The future role of the capital market

Sufficient has been said to indicate the potential importance for the future of the role played by new issues in financing industrial development. One limitation on this role is the actual extent to which industrial production is undertaken by companies whose shares are quoted, or at least effectively quoted, on a stock exchange. This limitation is largely a matter of the development of market technique, of understanding of the stock exchange and of knowledge of individual companies. It is bound up with the shortage of risk capital: there is little point in extending the range of quotations if the effect is merely to add to the number of shares which enjoy a purely nominal quotation.

It can be said broadly that, not only in absolute terms but also as a proportion of industrial production, the extent of production which is associated with effective stock exchange quotations is least in the countries which are industrially least developed. It is in these countries that the financial obstacles to investment are particularly great. So far as it is a matter of the spread of understanding and knowledge, the line of progress is obvious. So far as the defects of the capital market in such countries are associated with the relatively low level of income and wealth and of the supply of risk capital, progress is more difficult—particularly in countries like Greece and Turkey, if nothing can be done to curb the competition offered, as means of holding wealth, by the ownership of luxury buildings, gold and speculative stocks of commodities. And so far as the defects of the capital market arise from the low average size of firms, progress is also more difficult. In such countries improvements in the capital market will assist development not only by facilitating directly the finance of investment but also by encouraging thrift, thus stimulating capital development on the physical as well as on the financial side.

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[71] The Secretary of the Chartered Institute of Secretaries stated in a letter to *The Times* on 29 October 1955 that "the issue of ordinary shares without voting rights or with restricted voting rights is one which has already received consideration by the Council of the Chartered Institute, which sees in this practice not only a tendency to contravene the commonly accepted doctrine that the equity shareholder shall have a voice in the management of the company, but also certain inherent dangers to the uninformed investor."

Success in the fulfilment of the development programmes for the southern European countries must depend in part on improvements in financial facilities. A considerable part of the programmes would in any case, by their nature, be carried out by public authorities. But unless the field of public enterprise is deliberately widened—as it already tends to be in these countries, especially perhaps in Turkey—so as to make good the shortcomings of private enterprise, the provision of finance will have to be improved. At present in Italy only about 216 shares are quoted on the stock exchanges, and of these over one-half are not actually dealt in. In connexion with the Italian Ten-year Development Programme it has been stated by a committee of the OEEC that " the success of the Plan may depend largely on an improvement in the general efficiency of the capital market, so that it is made easier for an expanding concern to have access to capital." [72] In Turkey the view taken in 1952 was that " while the Turkish Government hopes to encourage private investment in production, it is mainly counting on the budget and on foreign capital —both public and private—for raising the necessary investment funds " [73]—and there is no reason to suppose that there has been any very great change since that time.

In some countries the war was responsible for considerable disruption of the capital market. In western Germany strenuous efforts have been made to bring about a restoration. In Austria, where industry now plays a much bigger part than before, something more than restoration is needed and it is felt that " more positive action by the Government to facilitate the floating of new ordinary shares is highly desirable in the interest of the maintenance of expansion and an appropriate pattern of investment." [74] At the end of 1954 only 28 per cent in terms of nominal value of all Austrian shares were quoted on the stock exchange, and of these, 40 per cent were shares of nationalized enterprises or of enterprises administered by the Soviet occupation authority (the latter shares having now been exchanged for fixed-interest securities).[75]

The competition of public authorities

Public authorities have, in most western European countries, claimed a large, although sometimes declining, proportion of capital market funds, mainly for the purpose of financing housing, transport and basic industries. Tables 53, 54 and 55 show that the ratio of securities issued by the public sector to total securities sold on the capital market has been around 60 per cent for France and 70 per cent for western

TABLE 53

France : New issues of securities

Billions of francs

	1953		1954		First half of 1955	
Public bonds		43		110		95
Bonds of State-controlled financial institutions	50	136	82	196	31	88
Bonds of nationalized trusts	62		70		31	
Private industrial bonds	24		44		26	
Financial shares (banking, insurance)	15	72	14	93	..	74
Industrial shares of public companies	45		68		..	
Shares of private companies	12		11		..	
TOTAL		251		399		257

Sources : 1953 and 1954: *Rapport du Conseil national du crédit, 1954,* 1955; 1955: Compte rendu du Conseil national du crédit, published in *Statistiques et études financières,* November 1955.

TABLE 54

Western Germany : New issues of securities

Millions of DM

	1950	1951	1952	1953	1954
Mortgage bonds	210.7	468.0	628.1	1 043.4	2 238.8
Communal bonds [a]	99.2	158.9	161.3	429.4	1 001.4
Loans of public authorities [a]	217.1	56.9	418.2	786.5	405.2
Bonds of special credit institutions [a]	96.3	1.9	219.8	258.4	269.1
Industrial bonds [a]	53.2	61.7	130.3	396.2	791.5
Shares	51.2	164.7	259.3	268.7	453.0
TOTAL	727.7	912.1	1 817.0	3 182.6	5 159.0

Source : Annual Report of the Bank deutscher Länder, 1954, Frankfurt.
[a] See Appendix C.

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[72] In a Report adopted by the OEEC Council on 10 June 1955. (Press releases A(55) 25 and 26.)

[73] *Fourth Annual Report of the OEEC,* December 1952, p. 328.

[74] *Economic Conditions in Austria and Switzerland,* OEEC, 1955, p. 14 (*Seventh Annual Report of the OEEC,* 1956).

[75] Unpublished report on Austria by E. John for the EPA Project.

TABLE 55

Italy : New issues of securities

Billions of lire

	1950	1951	1952	1953	1954
State and local administrations	191.5	114.8	130.3	192.8	211.5
Specialized institutions	72.1	55.2	127.9	139.2	127.7
IRI [a]	—	—	55.6	21.8	27.9
Companies: Shares .	65.5	81.4	107.0	191.6	147.3
Bonds .	31.7	6.8	15.1	12.2	6.0
TOTAL	360.8	258.2	435.9	557.6	520.4

Source : Assemblea Generale Ordinaria dei Partecipanti — Anno 1954, Banca d'Italia, 1955.

[a] Institute of Industrial Reconstruction.

Germany, and between 1950 and 1954 has declined quite steeply from 53 to 41 per cent for Italy.

There has been much criticism that the alleged monopolization of the capital market by the public sector has postponed its restoration to the normal function of supplying investment funds and, in particular, risk capital to private industry. Discussions of this question are apt to involve some confusion. The real issue is whether the *physical* claim on resources by the public sector has been excessive or not. An answer to this question must, of course, vary from case to case depending on the degree of over-all pressure on resources and in some countries on the level of economic development reached. It is clear that in under-developed countries, where the basic condition for a stimulation of private industrial investment is the creation of the necessary infrastructure, the role of the public sector is a vital one.

From the side of the capital market, the question arises whether public investment is favoured because of the relative ease with which it can make issues. That this has been so emerges from what has already been said about the preference of individual and institutional investors for risk-free fixed-interest securities. In addition, public issues have in some countries received an extra stimulus through the granting of special fiscal privileges. This, for instance, has been the case in western Germany, where the First Law for the Promotion of the Capital Market introduced in December 1952 provided for partial or complete tax exemption on interest derived from certain types of securities, such as mortgage bonds for social housing and communal bonds. The title of the law is rather paradoxical. It amounted, in fact, to a disguised subsidy on certain preferred types of investment. It was only when the law expired at the end of 1954, and industrial investment was put on an equal footing with preferred investment as far as taxation was concerned, that long-term interest rates on the capital market were brought down and issues for the finance of industry, particularly of shares, increased sharply.

4. THE BANKS

The role played by bank credit in the financing of industrial investment varies a great deal from country to country. There are differences in institutional arrangements, such as restrictions on the types of assets which banks are permitted—or required—to hold. Thus, in Sweden, Norway and Belgium banks are not allowed to hold industrial securities, except temporarily and then only if they had to be taken over either in connexion with defaults on bank loans or to facilitate new issues. In western Germany, on the other hand, industrial fixed-interest securities are held in bank portfolios to quite a considerable extent. The principal variation between countries arises from well-known differences in tradition and convention. These have their origin partly in historical causes, partly in differences of national temperament, and partly in differences of the state of economic development. At one extreme is the United Kingdom, where insistence on a strict separation of the functions of banking and of industry matches a tradition, which has perhaps become stronger in the course of time, that the normal function of a bank is to provide finance in a manner which does not involve any heavy risk, the general principle being that loans are adequately covered by working capital or by specific collateral. In Belgium and Italy, the bank reform which followed the depression of the 1930's involved the prohibition of long-term credits by commercial banks. This, together with the conservative policy followed by the banks, has led to the establishment of the specialized institutions, which in some measure duplicate the organization of the banks.

From Tables 45, 47 and 48 it can be seen what part bank advances have played in providing finance for industrial investment during the past few years in a number of countries. It is in accordance with a tradition of unusually active participation in industry that in western Germany the part played by bank advances has been greater than elsewhere, and has been far more important than that of the capital market. For the United Kingdom separate figures are not available[76] but it is consistent with the opposite tradition, which there prevails, that for the 100 largest companies which are the subject of inquiry by the National Institute of Economic and Social Research bank advances have played a minor part compared with new issues. This has also been the position for Belgium. In Italy, on the other hand, even if the specialized institutions are omitted, expansion of bank advances has in the past few years been quantitatively much more important than funds from the capital market. It has continued in France to play an important part even after the revival of the capital market, and in Austria it has in recent years offset the decline in ERP credits.

It has to be borne in mind that the figures in question are net of repayments. The total amount of new bank advances granted to industrial firms during a year[77] will considerably exceed, by the amount of repayments, the net figures shown in the table. For some purposes the gross figure would give a better indication of the part played by the banking system in promoting economic development than the net figure.[78]

In many ways an expansion of bank credit provides the simplest method of supporting a rapid growth of investment. No special machinery needs to be set up and the necessary relationship with individual enterprises already exists. There is, however, much prejudice against the granting of bank credits for the purpose of long-term investment. The banks themselves often show reluctance, partly because of a conventional desire to conform to certain established principles and partly because of a real fear of the possibility of a liquidity crisis. What is more important is the reluctance on the part of the authorities to facilitate or encourage a rapid expansion of bank credit. One important reason why, despite these inhibitions, bank credits to industry have expanded so much in the past few years is that personal savings have to such a large extent accumulated in the form of fixed-term deposits and savings accounts.[79] Both the banks themselves and the authorities have felt that expansion was safe if it was balanced by additional savings-deposits. It has been very fortunate that matters have developed in this way. It seems worth while inquiring what would have happened had the savings deposits of individuals not been built up so rapidly, with the result that the expansion of bank credit would have proceeded more slowly. The answer to the question depends on whether or not the policy of the banks would in such circumstances have been rational, in the sense of being sufficiently expansionist to secure full employment of resources without at the same time incurring the danger of undue pressure on them.

The most probable outcome would have been, as a result of difficulties of finance, a more modest course for industrial investment, with consequent waste of economic resources. This implies an irrational banking policy showing itself in undue reluctance to expand credit except when expansion appears to be justified by the argument that savings deposits are rising *pari passu.*

If, on the other hand, despite a possible application of savings to the purchase of stock-exchange securities rather than to the building up of bank deposits, the total of industrial investment had remained the same, the question arises whether the pattern of investment when largely financed by new issues of securities is or is not preferable to the one largely financed by the banks. On the one hand, it can be argued that the capital market, particularly an imperfect one, tends to favour the established companies and that for this reason the alternative of liberal dissemination of bank credit may have the advantage that finance is more widely and perhaps more fruitfully distributed. This view is not, however, readily accepted, although at times of credit restriction considerable reliance is placed on the infallibility of the banking system in curtailing investment in the right places. Banking conventions and methods do not necessarily lend themselves, even if the general policy is adequately expansionist, to securing a well-balanced pattern of investment. Perhaps the matter is best summed up in the words of the Danish Finance Minister: "Experience shows that with regard both to the lending of commercial and savings banks and to issues of shares the older-established enterprises have priority."[80]

In any case it must not be supposed that a banking system, operated on rational principles and reasonably ready to finance industrial development, is a substitute for a well-organized capital market at a time of full employment of resources. Both have their parts to play. Undue reliance on the banking system for external finance would mean such a rapid expansion of bank credit, for the purposes of covering the needs of industrial investment, that, as a result of a too-rapid fall in rates of interest, other forms of investment would be stimulated and it would require severe physical controls to keep them in check, as has already been indicated. Also, within the industrial sector itself there would be an undue tendency towards the less risky forms of investment.

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[76] But the whole item "borrowing and capital transfers" in Table 46 is small.

[77] This is not a completely unambiguous concept. The best, and perhaps the only possible, measure is the aggregate increase of outstanding advances in the course of the year for all those firms for which advances at the end of the year exceeded advances at the beginning of the year.

[78] If, to take a purely imaginary instance, there was no net expansion of bank credit in a particular year, it would not mean that the banks had not played an important part in helping certain firms through a period of heavy investment by means of temporary credits which could later on be paid off from the proceeds of an issue of securities and from undistributed profits.

[79] See Chapter 2, Section 4.

[80] V. Kampmann, op. cit.

In some countries reluctance to rely on the banks as the main source of finance arises from definite lack of confidence in the wisdom of the decisions made by the banks themselves. It is thought that an expansionist banking policy is likely to result in wasteful forms of investment, including " investment " in durable consumer goods. The question is whether there is a feasible alternative in the shape of better forms of investment, or whether the alternative is failure to make adequate use of available resources. In a country like Greece the alternative to the banking system is not at present in any practical sense the capital market. A fairly tight credit policy is, however, sometimes justified as a means of keeping physical resources available for specific projects sponsored by public authorities and financed from public sources.

5. Small firms and specialized institutions

The extent to which newly established firms, and small firms generally, can secure financial help as a result of the existence of an organized capital market is at best limited. The smaller companies, even if well established, will not enjoy quotations for their shares, and in any case a company usually has to be able to present a record of profits going back for some years before it can secure a quotation. Furthermore, the expenses are relatively very high for a small new issue of securities.[81]

All this is particularly serious for countries like France, Norway, and those of southern Europe in which enterprises tend as a general rule to be small in size. Many such enterprises rely for expansion on funds put at their disposal by individual owners of wealth by means of personal loans or by other direct means. The importance of this source of finance varies greatly according to the state of economic development. It is often emphasized that changes in the distribution of income, associated with high taxation of the rich, have dried up this source to a serious extent. For example, the British Bankers' Association, as part of their case for a modification of the weight and incidence of taxation, have stated: " It is difficult to exaggerate the debt owed by British industry and national prosperity to the enterprise, initiative and vigour of individuals who from small beginnings have built up great commercial and industrial concerns—men of the type of Jesse Boot, Thomas Lipton and William Morris." [82] It is far from easy to assess the quantitative implications of illustrations of this kind even for a single country, still less for western European countries in general.

The difficulties facing the small and new firms provide the main reason why in most countries specialized institutions have been set up. In Italy, however, the large and complex network of specialized institutions which has grown up gradually is intended to fulfil a much wider function. Apart from the problems specific to small and new firms they are to deal with the long-term financing of industry in general and with the financing of regional development in the south. For under-developed countries or regions, specialized institutions have an important role to play as the only alternative to the State itself directly entering the field normally reserved in these countries to private enterprise. In Greece the Office for the Financing of Economic Development, which was established in 1954, now provides the channel in which United States aid is converted into long-term loans to industry. In Turkey the Industrial Development Bank, set up with the help of loans from the International Bank for Reconstruction and Development for the purpose of assisting the development of private industry, has performed a useful function. It has not only granted investment loans amounting, until the end of 1954, to T£ 133 million, but has also supplied technical and financial advice to the borrowers.

Usually the funds of specialized institutions are supplied partly by budgetary allocations and partly by the issue of bonds to the public. In the United Kingdom the Industrial and Commercial Finance Corporation Ltd., known as the ICFC, set up in 1945 to supply finance to smaller and medium-sized firms, does not raise funds on the capital market but is entirely financed by the banks, which hold shares in it.

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[81] Figures are given for the United Kingdom by Dr. R. F. Henderson, and indicate that they may amount to as much as 24 per cent of the total sum involved (*The New Issue Market and the Finance of Industry*, Cambridge, 1951, p. 121).

[82] In a Memorandum submitted to the Royal Commission on the Taxation of Profits and Income (*Minutes of Evidence*, HMSO, 22 November 1951, p. 134).

In Italy also, banks participate in supplying funds to some of the institutions, while Mediobanca, which was created by the three big commercial banks, uses fixed-term deposits held by the public as its principal source of funds.

The finance provided by an institution usually takes the form of loans, often against first-class mortgage. But " in an appreciable number of instances the ICFC takes some form of participation in profits, but only rarely is the finance provided wholly by taking up ordinary shares ", and it " never seeks voting control." [83]

On the whole, the operations of specialized institutions have been very restricted in scope. In Sweden the AB Industrikredit has loans outstanding for an amount of only about Kr. 50 million. Over the period 1952 to 1954 the loans made to industry by the Norwegian Bank of Industry averaged Kr. 184 million a year. The ICFC has resources of only £45 million, and at the end of the first eight-and-a-half years since its establishment only about £28 million were outstanding after deduction of repayments and losses. Four major factors explain the limited role which institutions have been able to play in providing finance in their particular sphere of activity. In the first place, the amounts which they have at their disposal for lending operations are often limited. Secondly, the finance provided usually involves taking prior charges or holding bonds, and risk capital still has to be found from elsewhere. Thirdly, the institutions tend to be very cautious in the selection of their clients, and to set rather severe standards for the guarantees which they require, either in tangible or in other form. The complaint has been made that in southern Italy, for instance, a problem has arisen over enterprises which, having succeeded in securing medium-term loans from specialized institutions to help them with fixed investment, had no collateral left with which to obtain short-term credit for working capital from the banks.[84] In the fourth place, there is in some instances what has been described, in the case of the ICFC, as an " on the whole excessively scrupulous " care to avoid competition with other institutions providing long-term finance.[85]

6. METHODS OF STRENGTHENING THE MARKET FOR SHARES

The main conclusion, so far as practice is concerned, which seems to emerge from the chapter is that, despite all its vagaries and inconsistencies, the stock exchange has an important part to play in the economic life of a capitalist country and that, as a matter of technique, of machinery and of education, improvements in its functioning should be pressed forward. In particular, it is desirable to extend the range of shares which receive a quotation.

There are occasions on which a rapid rise in share prices should legitimately cause concern, either because of the fear of subsequent reaction or because of the fear of unduly strong stimulus to investment and of a rapid, though temporary, rise in personal consumption under the encouragement of capital gains. But in general share prices have to be accepted as playing an important part in the mechanism of the system of private enterprise.

All this is bound up with the desirability of encouraging a greater readiness to hold shares—subject to the risks involved considered on a reasonably objective basis—as opposed to less risky and risk-free fixed-interest securities and to various forms of property and speculative stocks of commodities. Any success in this direction is likely to show itself also in a smaller desire to hold wealth in the form of bank deposits but, as explained earlier,[86] this need not necessarily be regarded as an end in itself.

Investment trusts provide an obvious means of enabling those whose wealth is limited to take a greater interest in shares, part of the problem being the manner in which personal savings are applied.[87] In this way risks can be widely spread and the problem of management delegated to experts. Why shares in investment trusts are not more popular—as shown by the relationship of their prices to break-up values—is rather mysterious. But certainly their exploitation, and when necessary their establishment and expansion, should form part of any programme designed to interest the small man, and personal owners of wealth in general, in this method of holding real values at two stages removed. Shares in an investment trust might also appeal to companies as a method, through an intermediary, of holding part of their liquid assets in a more remunerative and socially useful form, though certainly in a far less liquid form. The most practicable conclusion, however, which emerges so far as this part of the question is concerned is the desirability of relaxing legal restrictions, where they exist, on the placement policy of institutions, and in generally encouraging a new and more lively tradition, though here again the simple fact cannot be ignored that the liabilities of insurance companies are largely fixed in terms of money, and that therefore the maintenance at all dates of the money value of their assets will always remain an important consideration.

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[83] J. H. B. Tew, " The I.C.F.C. Revisited ", *Economica*, August 1955, pp. 231-2.

[84] S. Vaccá, "I problemi del finanziamento industriale discussi al convegno del CEPES ", *Mondo Economico*, 29 October 1955.

[85] J. H. B. Tew, op. cit., p. 222.

[86] Section 4.

[87] In the course of a lecture delivered before the Danish Economic Association Mr. Kampmann advocated " having more saving in the form of shares—such as we see in the United States, where the buyers of shares are largely found among the mass of the population " (*Information*, 9 December 1955). In Belgium the Comité national pour le développement de l'épargne mobilière is much concerned with popularizing shares as an outlet for savings.

What is being considered so far is no more than improvement or modification of existing practices. There is one possible departure of principle which at least demands consideration. The financing of an investment trust necessitates the issue of a fairly high proportion of its capital in the form of shares, so as to preserve the capital structure and keep down the risks involved for the holders of its prior charges. While the existence of investment trusts serves to attract wealth into risk-bearing form, it does not, apart from that, do much more than serve as an intermediary for the taking of risks and spreading them. It is arguable that what is needed, in addition to everything else, at least in those countries in which the financial obstacles are really serious, is a public or semi-public corporation, financed by the State or by the issue of State-guaranteed fixed-interest securities, which would hold shares on a large scale and be prepared on occasion to acquire a large block of a particular share, though not necessarily for long-term retention. It might also assist the financing of enterprise in other ways, but it is important not to confuse the functions of such a national investment corporation with those of specialized institutions, which, as has been indicated, are no doubt in need of expansion and activation in many cases. If the idea of a national investment corporation, established purely with the object of transforming funds which eschew risk into risk capital, is to be at all acceptable, it must be made clear at the outset that it is not intended as a means of securing control over any part of private enterprise. Where this is the object, it is better dealt with by separate public corporations, as indeed exist already in many western European countries.

Chapter 5

LABOUR MARKET PROBLEMS IN WESTERN EUROPE

1. Introduction

Since the post-war period is often broadly and loosely referred to as one of " full employment ", it is perhaps not unnecessary to mention that this description applies, strictly speaking, only to the United Kingdom, Norway, Sweden and Switzerland. In these four countries the percentages of unemployment have remained, throughout the post-war years, at levels below those which had previously been regarded as possible or, in some cases, even desirable (see Table 56). The same would be true of the Netherlands and Finland were it not for short periods of unemployment, notably during the setback following the Korean boom. France is a more doubtful case. Registered unemployment has been low most of the time but unemployment statistics are not very complete.

The most important change in the employment situation during the recent upswing was that the numbers of unemployed in western Germany and Austria fell, in the summer season, to levels which are generally regarded as consistent with the concept of full employment, although the figures continue to be somewhat higher than in the group of countries mentioned above.

Thus, apart from the special case of Italy and elsewhere in southern Europe, Denmark and Belgium appear as the remaining countries where unemployment, in over-all terms, continues to be a serious problem. It must be noted that the Danish and Belgian unemployment statistics have a particularly full coverage, and the figures in Table 56 therefore

Table 56

Employment in industry and unemployment in non-agricultural activities

Country	Employment in industry *Percentage increase over previous year*						Average annual level of unemployment in non-agricultural activities *Percentages of wage and salary earners*					
	1949	1950	1951	1952	1953	1954	1949	1950	1951	1952	1953	1954
United Kingdom	2	2	2	—	1	3	1.4	1.4	1.1	1.5	1.5	1.2
Norway	1	5	2	−1	1	2	0.9	1.0	1.3	1.3	1.5	1.3
Sweden	−1	—	2	−3	−3	1	0.9	0.7	0.6	0.8	0.9	0.8
Switzerland	−6	−3	9	3	—	2	0.5	0.6	0.3	0.3	0.3	0.3
Netherlands	5	4	3	−2	2	4	1.5	2.1	2.6	4.7	3.0	2.1
Finland	1	4	3	−5	−4	3	1.9	1.5	0.5	0.8	2.5	1.7
France [a]	1	—	2	—	−2	—	. .	. .	1.1	1.2	1.6	1.6
Denmark [b]	4	8	−1	−5	—	4	3.9	3.7	4.3	5.5	4.1	3.6
Belgium	−4	—	4	−2	−1	—	11.3	10.6	7.0	7.9	8.4	7.6
Western Germany	9	5	8	4	4	5	. .	. .	8.9	8.5	7.4	6.9
Austria [c]	10	5	5	−2	−2	4	5.0	6.2	6.0	7.9	9.2	8.1
Italy [d]	−2	−1	1	—	—	1	. .	13.4	13.9	14.6	15.2	15.3

Sources and methods : See Appendix C.

[a] Unemployment refers to unsatisfied applications for work.

[b] Employment data refer to man-hours worked.

[c] Unemployment refers to applicants for work.

[d] The levels of unemployment are expressed as percentages of the *total* population occupied in non-agricultural activities.

give a somewhat exaggerated picture of the unemployment situation in those two countries as compared with the rest of western Europe.

The further reduction of unemployment is sometimes regarded with suspicion, as implying a threat to the stability of the wage and price level.[1] More seriously, it is often taken for granted that the present low levels of unemployment set a rather narrow limit to the further expansion of industrial employment.

There is much exaggeration in this view, and it is characteristic that complaints about acute shortages of manpower are particularly frequent in those countries—western Germany and Austria—where a situation resembling full employment is of recent date. It is not unnatural that employers, who have become accustomed to an abundant supply of easily available and fully qualified labour, should be inclined to characterize the situation as one of acute shortage as soon as it becomes necessary to draw on reserves of less-qualified workers or otherwise to display particular efforts to fill vacancies.

It is clear enough that in the summer of 1955 most western European countries had very small reserves of labour in the form of registered unemployed, which were readily available at the right place and with the right qualifications. But it is easy to over-state the significance of ordinary unemployment statistics for measuring the possibilities of expanding industrial employment. A comparison of the figures in Table 56 showing annual changes in industrial employment with those showing the level of unemployment suggests that population changes, transfers among the major economic sectors and the drawing-in of hitherto inactive people must have often played a far more important role than changes in the numbers of unemployed.

Plan of the chapter

This chapter is devoted to a general review of some salient problems of labour market and manpower supply, especially in those countries where full or nearly full employment prevails. The question is in what sense, and to what extent, the situation described as full employment—by the simple criterion that the annual average percentage of unemployment is very low—really implies that there are no possibilities of any major increase in employment and that the available labour force is utilized to the best advantage.

A brief review is first given of the main changes in the size and composition of the working population which are to be expected over the next fifteen years or so. The subsequent discussion of the supply and utilization of manpower falls under three main headings.

The first group of problems to be dealt with concerns the size of the total supply of labour. In times of heavy and persistent unemployment it is almost inevitable that workers' unions, trade associations and governments develop policies which are intended, in some way or other, to reduce open unemployment by keeping the supply of labour below the optimum. When there is full employment, and if there is no fear of falling back into unemployment, such restrictive practices become pointless and policies can be directed towards securing an optimum supply of labour. Certainly, requirements during the war, and full employment after the war, have profoundly changed the outlook in these matters in a number of countries. But it may still be pertinent to ask whether the supply of labour continues to be limited by barriers carried over from earlier days. These questions will be discussed with special reference to the age of retirement, the age of entrance into the labour market, and the participation of women in economic activity.

Rationalization in those sectors which are traditionally characterized by low productivity gives rise to a second group of problems concerning the supply of labour, the solution of which is closely connected with the situation in the labour market generally. With full employment in the industrial sector it becomes possible, and also necessary, to deal far more vigorously with these problems of overcrowding. Three sectors (retail trade, agriculture and the building industry) are singled out for a brief review of problems and progress made in overcoming the institutional obstacles which stand in the way of higher productivity.

The third group of questions to consider is that of the mobility of manpower, or, in other words, the problems arising from the co-existence of local shortages of manpower, on the one hand, and pockets of unemployment, for certain categories of workers, in certain regions or in certain seasons, on the other. Under conditions of full employment it should be possible to tackle these questions in a more straightforward manner, because the distortions of wage structures and the restrictive attitudes of trade unions can be more easily overcome. Closely connected with this are the questions of professional orientation, both in its purely quantitative aspect of avoiding bottlenecks in certain skills, and in the qualitative aspect of arranging policies of recruitment in such a way that mental and physical abilities are channelled to the various sectors in the appropriate proportions.

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[1] See Chapters 1 and 3 for a further discussion of the employment situation in western Europe in 1955.

In short, the present chapter considers policies related to the size, the distribution and the efficiency of the labour force, and the basic premise of the discussion is the view that the abolition of mass unemployment provides both the necessity and the opportunity for more forceful policies aiming at an optimum supply and utilization of labour. The questions of the possible disorganizing effects of full —or " over-full "—employment on the labour market will be touched upon only occasionally. Such phenomena as excess turnover, absenteeism and ca' canny played a prominent rôle in discussions of labour market policies in the first post-war period, when full employment was often accompanied by a very considerable excess demand for labour. Since then these manifestations of disorganization seem to have become far less important. A more persistent problem is that of the behaviour of the wage level; the last section of this chapter discusses the post-war experience of wage pressure and reviews recent contributions to the discussion of the need for and the possible shape of a " national wages policy ".

2. POPULATION DEVELOPMENTS OVER THE NEXT FIFTEEN YEARS

Forecasts of population movements for the next fifteen years, up to the beginning of 1971, are of importance for a discussion of labour market policies chiefly under three aspects: the prospective development of the process of aging of the western European population; the rate at which the population of working age is expected to increase; and—perhaps most important for labour market policies—the repercussions on the young labour force of the highly abnormal birth rates during and immediately after the second world war.

TABLE 57

Prospective changes in the size of the adult population from the beginning of 1951 to the beginning of 1971

Country	Average annual percentage increase in the population of:				Population aged 65 and over as a percentage of population of working age		
	Working age (15-64 years)		Age 65 and over				
	1951 to 1956	1956 to 1971	1951 to 1956	1956 to 1971	1951	1956	1971
Netherlands	1.05	1.30	2.50	2.40	12.5	13.5	15.5
Finland	0.80	1.25	1.85	2.10	10.5	11.0	12.5
Denmark	0.55	0.75	2.10	1.90	14.0	15.0	18.0
Norway	0.35	0.70	2.20	2.45	14.5	16.0	20.5
Italy	1.00	0.70	1.60	1.95	12.5	13.0	15.5
Switzerland	0.15	0.45	1.70	2.35	14.5	15.5	20.5
Sweden	0.30	0.40	1.75	1.75	15.5	16.5	20.0
France	0.05	0.40	0.75	1.05	17.0	18.0	19.5
United Kingdom	0.05	0.25	1.25	1.85	16.5	17.5	22.0
Belgium	0.10	0.00	1.40	1.65	16.5	17.5	22.0
Western Germany . . . . . A	0.90	—0.10	2.10	2.10	..	14.7	20.4
B	1.35	..	2.40	..	13.9	14.6	..
Austria	0.25	—0.10	1.65	1.80	16.0	17.0	22.5
Total of above countries	..	..	..	..	15	16	19
Greece	1.05	..	1.00	..	10.5	10.5	..
Yugoslavia	1.50	..	0.90	..	9.0	8.7	..

Sources and methods : See Appendix C.

NOTE. — The figures show the estimated natural movements of population with no allowance for migration. For western Germany, however, the series marked B includes the effects of actual migrations in the period 1951 to 1956.

The countries have been arranged in descending order according to the expected increase in population of working age from 1956 to 1971.

Table 57 and Charts 8 and 9 give a condensed picture of the changes that can be expected in these demographic magnitudes. The figures are based on forecasts made during recent years by the statistical offices of the various countries. In the majority of cases three separate estimates were made, reflecting an " optimistic ", a " pessimistic " and a " most probable " estimate of fertility and mortality rates until 1970. For the purpose of this presentation, the aim of which is only to bring together the main facts and to point to a few salient problems, the " most probable " forecast was chosen in every case.[2]

The continuing aging of populations

It appears from Table 57 that the aging of populations in western Europe (excluding the less-developed countries of southern Europe) is a quite general and continuing phenomenon. In most cases, the rate at which the aging of populations will continue over the next fifteen years, taken as an average, is even higher than it has been in the preceding 5-year period. The process is so uniform throughout north-western and central Europe that a meaningful average can be computed for the region as a whole: in 1951, the number of people aged 65 and over accounted for 15 per cent of the population of working age; at the beginning of 1956 this had risen to some 16 per cent, and it can be foreseen with a high degree of probability that by the beginning of 1971 the percentage will have risen on an average to 19 and in most countries to as much as 20 per cent or more.

France and the Netherlands are the only two countries which differ somewhat from the general pattern. In France, the decline of the birth rate in the nineteenth century had at an early stage resulted in an age structure in which the old ages weighed heavily by comparison with other European countries; but, beginning shortly after 1960, the recent demographic revival will markedly affect the number in the active age groups and, as a result, the relative size of the older age groups will by 1971 be somewhat smaller than in most other western European countries. In the Netherlands, the birth rate never fell very low, and it has been at a remarkably high level since 1945. Although the older age groups will increase somewhat in relation to the population of working age, the Netherlands will continue, by 1971, to stand out as a country where the relative size of the older generations is remarkably small by western European standards.

The process of aging has, of course, its limits, and it is important to add that there is some reason to believe that the end year of the forecasts discussed here represents something near the maximum. The relative size of the old age groups will probably settle down at its higher level or even decline somewhat a few years after 1970. The process of aging, it must be remembered, reflects the earlier decline in fertility and does not—or only to a minor extent—result from a decline in mortality at older ages.[3] The generations at present over the age of 64 were born at a time when annual births were still considerable, and the same will be true of the generations which will pass into the group of retired persons during the next fifteen years, all of them having been born well before the first world war. The declining trend in birth rates in western Europe dates roughly from the turn of the century and, therefore, the group of old people will towards 1970 begin to be affected by the smaller generations, while, on the other hand, the population of working age will increasingly consist of generations which were born after the upturn in birth rates in the latter half of the 'thirties and which have also benefited from the decline in infant mortality during recent decades.

It is therefore reasonable to think that the figures shown in the last column of Table 57 represent something near the maximum for the size of the older population relative to those of working age. There is, however, one qualification to add: as mentioned above, the aging of populations has so far been the effect of lower birth rates, and since the decline in mortality affected largely the younger age groups, it tended if anything to delay in its short-term effect the process of aging rather than to accelerate it. In many countries, however, not only child mortality, but also mortality in adults under 65, has already fallen to such levels that no very conspicuous further improvement is to be expected, and there is the possibility that future medical progress will be largely towards

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[2] Incidentally, a different choice would not have substantially changed the picture, since the data here presented are concerned mainly with changes in the age composition of the adult population (aged 15 and over) up to 1971. Thus Table 57 and Chart 9 are unaffected by the future rate of fertility which is, of course, the main source of error in relatively short-term population forecasts. For assumptions with regard to mortality, the magnitude of which varies significantly from country to country, see Appendix C.

[3] This follows from the fact that the decline in mortality has been relatively more important in younger than in older age groups, as can be seen below:

Increase of life expectancy for males over the last 40 to 45 years

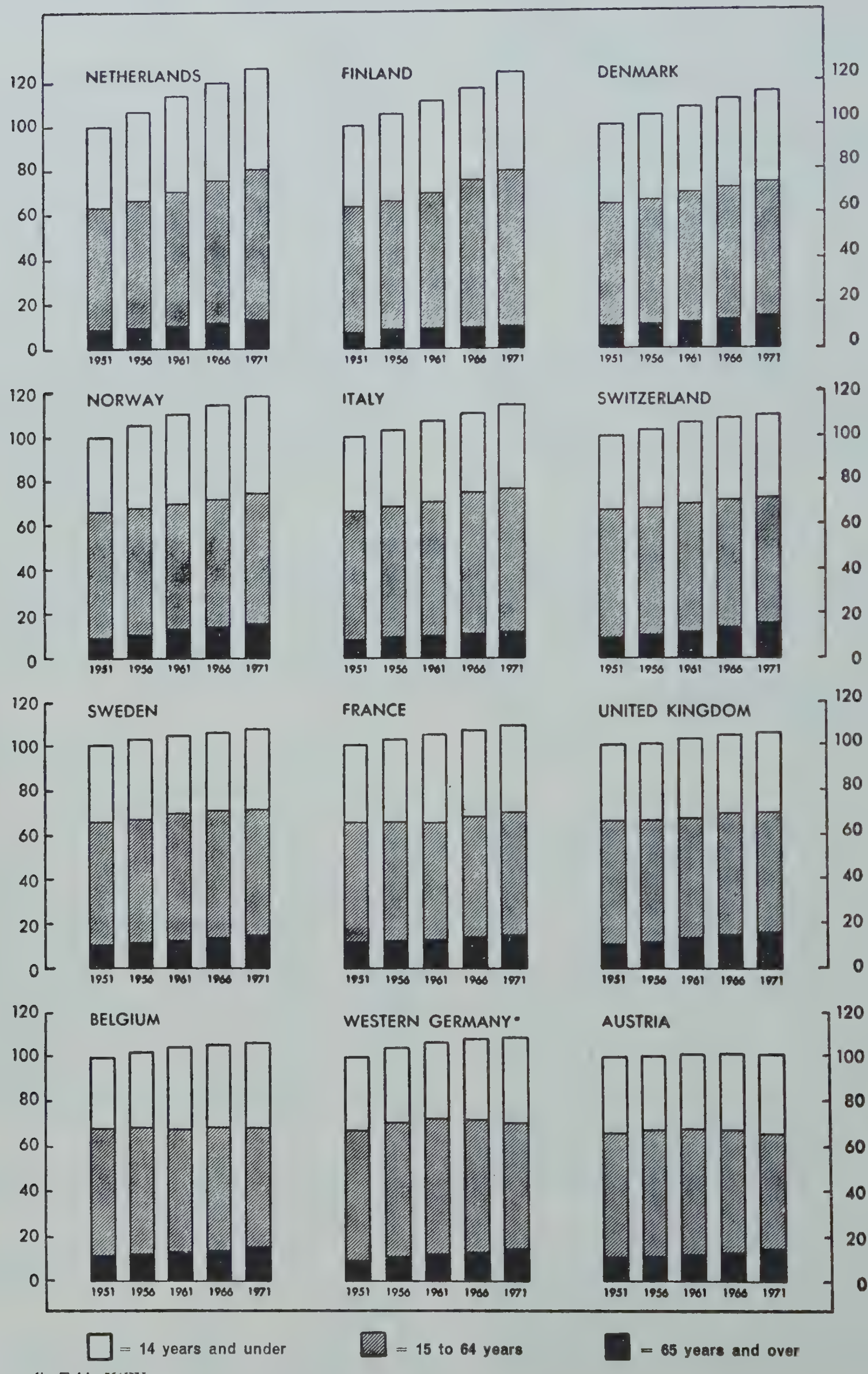
	At birth		At the age of 60	
	Number of years	*Per cent*	*Number of years*	*Per cent*
Netherlands	18	36	2.8	19
France	15	31	1.8	13
Great Britain . . .	16	30	1.6	12
Sweden	15	27	1.0	6
Norway	14	26	1.6	9

Source : Demographic Yearbook, United Nations, New York.

CHART 8

Prospective movement of population by major age groups

Persons in each age group as a percentage of total population in 1951



Source : Appendix Table XXIV.

[a] The data have been adjusted to take account of migration during the period 1951 to 1956.

longevity, such as would be the case if progress were made, for instance, in combating cancer or arterial sclerosis. In that case a further shift in the age composition towards a greater proportion of older age groups might well result.

Be that as it may, the further aging of the adult population during the coming fifteen years or so is an inexorable fact. It is not within the scope of this chapter to take up the many economic, social and psychological problems connected with the aging of populations.[4] Only one aspect, that of the age of retirement from economic activity, will be discussed. It is true that this is an important problem in any case, whether the relative size of the old-age groups be 10 or 20 per cent of the population of working age. But the additional burden of transfer involved in supporting the population past working age, in a period when the absolute total of the population of working age is increasing only moderately in most countries, certainly adds to the urgency of the question of the appropriate age of retirement. Policies with respect to this question will be dealt with in a later section.

The size of the population of working age

In contrast to the uniformity of the process of aging there are rather large differences among countries in the rate at which the population of working age is expected to increase. Most striking, in this respect, is the difference between western Germany and France. The first two columns of Table 57 show that after a period of very rapid increase—both natural and through immigration—no further natural increase in the western German population of working age is to be expected over the coming 15-year period. As from the middle of the 'sixties, the forecasts imply even a marked decline (see Chart 8). France, however, after long years of demographic stagnation, will see its working population increase at a rate which is no longer low by western European standards.

The western German case apart, nearly all countries have this in common: the rate of increase in the population of working age over the coming fifteen years will be higher than it has been in the preceding 5-year period. This, of course, reflects the abnormally high numbers of births during and immediately after the war. By far the largest increase in the active population is expected in the Netherlands. Indeed, the Netherlands, and perhaps Finland, seem to be the only western European countries—again leaving aside southern Europe—which are faced with a structural employment problem owing to demographic developments. The countries which can expect a particularly low rate of increase in their active population are the United Kingdom, Belgium, Austria and, as already mentioned, western Germany. In the United Kingdom, though, the increase, small as it is, is distinctly higher than in the preceding period, which was one of virtually unchanged population of working age.

The coming-of-age of the war generations

The average rate of increase in the total population of working age is, however, a very crude measure with respect to the developments on the labour market. It is more revealing to consider the changes from year to year and, in particular, the changes in the number of young people reaching the age of entrance into economic activity. For obvious reasons, the flexibility of the occupational structure depends very largely on the " rate of turnover " of the population of working age. With declining fertility and mortality, the long-term trend has been for this rate to decline, and under demographic conditions such as those now prevailing in western Europe the new generations coming on to the labour market year by year correspond to no more than some 2 per cent of the total labour force.[5] In this respect, the last war has, however, produced demographic anomalies which are bound, in the next few years, to have profound effects on the labour markets in a number of countries.

Chart 9 shows the expected swings in the number of entrants to the labour markets which result from the very considerable change in birth rates—in most cases an increase—which took place during and immediately after the war. In order to facilitate the comparison of both the general level and the year-to-year movements in the various countries, the number of young people reaching the age of 15 has been expressed as a percentage of the total population of working age in 1956.

It is immediately clear that the swings to be expected are of quite exceptional amplitude. In the preceding 15-year period, from 1940 to 1955, the relative size of the generations entering active life remained rather stable, at a level in most cases somewhere around 2 per cent of the population of working age, although with a gently declining trend reflecting the fall of birth rates up to the middle of the 'thirties. The changes now to occur are of a quite different order of magnitude.

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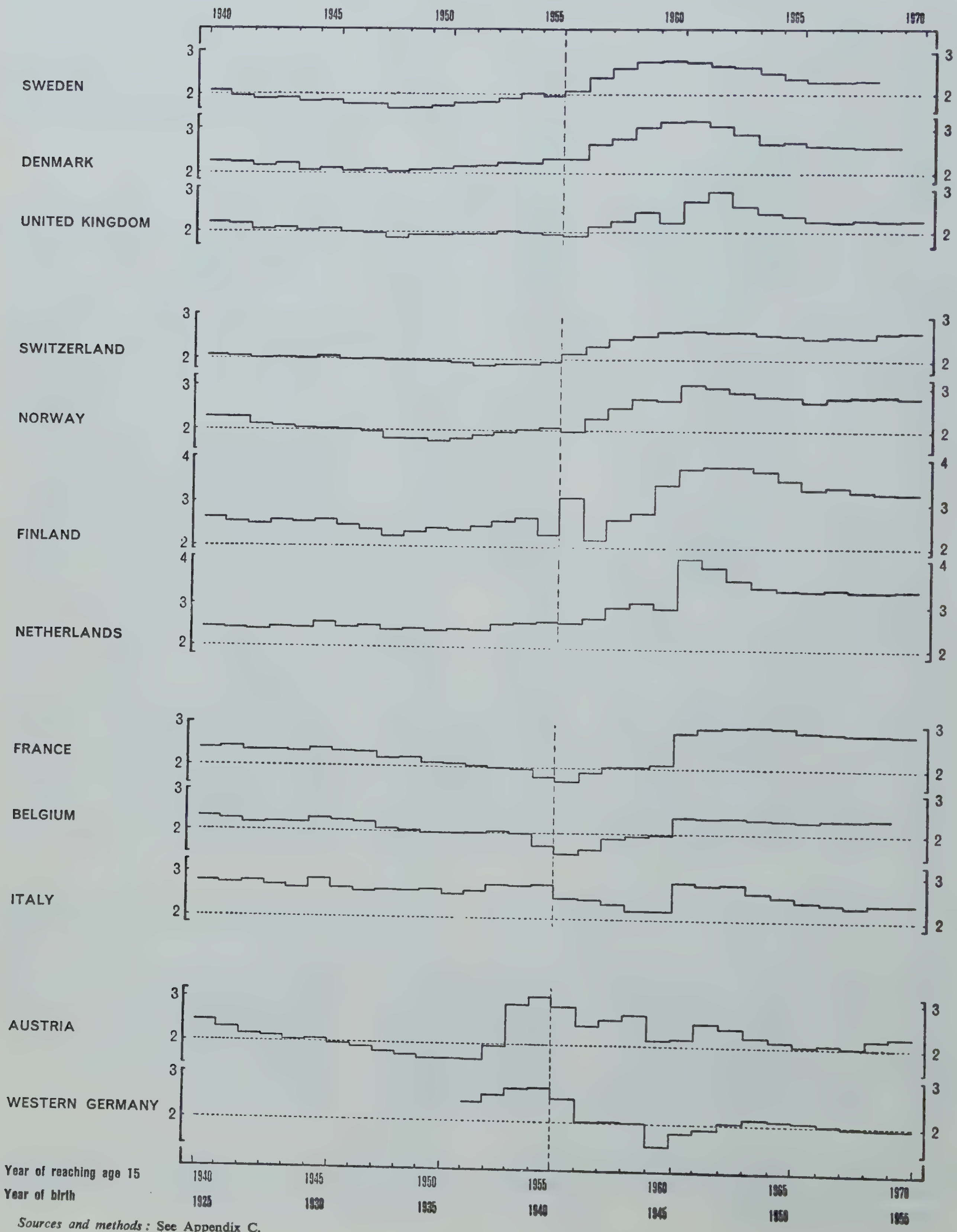
[4] These topics will be discussed in the forthcoming United Nations publication *Aging of Populations : Its Demographic, Social and Economic Implications.*

[5] In a stationary population in which the probability, at age 15, of reaching the age of 65 is, say, 0.70, the annual number of people reaching the age of 15 would be some 2.2 per cent of the whole population of working age.

CHART 9

Number of persons (both sexes) reaching the age of 15 years in each year from 1940 to 1970

Percentages of total population of working age in 1956



Sources and methods : See Appendix C.

Four characteristic patterns can be distinguished. In the United Kingdom, Sweden and Denmark, the period of high birth rates was limited to the war years and the first few years following the war. Accordingly, the increase in the generations coming on to the labour market will begin to make itself felt in 1956 or 1957 and will continue until it reaches a peak—around 1961—at a level no less than 50 per cent higher than what was usual during previous decades. From then on, there is a decline during the 'sixties to a level which, in relative terms, is only slightly higher than that of the years 1950 to 1955.

Norway, Finland, Switzerland and the Netherlands form another group of countries with a broadly comparable pattern. As in the countries of the former group, the number of young people reaching adult age will increase considerably in the next few years. But in these countries the high birth rates of the war years were almost fully maintained during the years following the war, with the result that the generations reaching the age of entrance to the labour market will decline only slightly during the 1960's. In the case of Finland, there are, in addition, the pronounced jumps reflecting the sharp turns in the political and economic situation of that country during the war years.

In the Netherlands, the increase in births during the war was comparatively modest. This was, however, compensated immediately after the war in the shape of an extraordinarily high number of births. Consequently, a very large number of entrants is to be expected in 1961 and the following years. In this respect, the Dutch pattern is similar to that of the third group of countries shown in the chart: France, Belgium and Italy. In these countries, the war years were a period of relatively unchanged or, in the case of Italy, even slightly declining number of births. In all these cases, however, there was a very marked upward turn after the war, when a considerable recuperation took place. Therefore, the number of new entrants into the labour market will remain more or less constant in the next few years, and only after 1960 will there be a marked increase. It must however be stressed that in Italy the post-war increase in the number of births was in the nature of a recuperation, once and for all, after the demographic depression of the war years, and in more recent years the long-term trend of declining fertility has continued. In France, however, the picture is that of a more persistent revival. The difference in the demographic situation in the two countries can be gauged by comparing the number of new entrants (as measured in the chart) in the period 1950 to 1955 (born between 1935 and 1940) with those expected for the latter half of the 'sixties.

Average annual number of persons reaching the age of 15 as percentage of the population aged 15 to 64

	France	*Italy*
1950 to 1955	2.0	2.7
1965 to 1970	2.8	2.4

Finally, Austria and western Germany stand out with a pattern of their own. In these countries, too, the decade 1950 to 1960 is one of violent shifts in the gross additions to the labour force, but the trend is in a direction opposite to that of the other countries. Very high birth rates in the second half of the 'thirties were reflected in considerable increases in the young labour force during the 5-year period 1950 to 1955 and this was an important factor making possible the remarkable expansion of western German employment in recent years.[6] In the next few years, however, the low number of births during and immediately after the second world war will begin to make their impact felt on the western German labour market. The almost stationary size of the population of active ages in the next fifteen years is the accumulated effect of the two world wars: relatively few children were born during the second war and in the years of economic paralysis immediately thereafter, both because war conditions reduced fertility and because of the moderate size of the generations reaching marriageable age (i.e., those born 25 years earlier, during the first war).

The oscillations in the size of the generations reaching adult age during the next few years are bound to pose important problems of labour market policy, some of which will be further discussed in later parts of this chapter.

There will be less room for expansion of employment—and a less pressing need for house-building and other " demographic investments "—in western Germany, but in nearly all other countries the reverse is true. The arrival on the labour market of the big generations born during the war is often looked upon with some apprehension. Certainly, measures are required for their orderly absorption into the labour force, but in general their arrival may be regarded as a distinct asset. Not only does it imply an increase in the share of the population of working age—or a halt in its decline—but, more important, it offers an opportunity for adjustments in the occupational structure. Since the flexibility of the occupational structure depends so largely on the relative size of the annual gross addition to the labour force, it would seem that its increase—in several cases from 2 to 3 per cent of the population of working age—provides a unique opportunity for stimulating occupational shifts in accordance with the shifts in demand and technology.

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[6] See Table 56.

Much depends, of course, upon the claims of the armed forces for manpower. In western Germany, the prospects are for an increase, although the order of magnitude remains uncertain, and in several other western European countries a decrease seems possible. Changes along these lines would thus tend to make even more pronounced the contrast, which has just been pointed out, between western Germany and the rest of western Europe.

3. FACTORS INFLUENCING THE SUPPLY OF LABOUR

The age of retirement

It is a fundamental difference between a situation where jobs are short and one where they are plentiful that, in the latter case, the question of the length of the economically active life (as well as that of the working day) can be dealt with in a relatively straightforward fashion as a problem of balancing human sacrifice in terms of labour against its result in terms of output. When jobs are short, on the other hand, it tends to become an aim in its own right, for governments as well as for economic organizations, to restrict the supply of labour. Hence, policies with regard to the age of retirement are closely connected with the general employment situation.

TABLE 58

Activity rates for men aged 50 and above

Country and year	Age group				
	50-54	55-59	60-64	65-69	70 and above
Great Britain . . 1951	98 [a]	95	88	49	21
Sweden 1950	95	92	79	57	25
Norway 1950	96		89	74	25
Finland 1950	96	94	87	57	
Switzerland . . . 1950	96		88	65	40
Denmark 1950	95		86	55	21
Belgium 1947	90	83	73	25	
France 1951	96	89	78	61	29
Western Germany 1950	93	87	73	27	
Austria 1951	89		70	44	23

Sources: See Appendix C.

[a] Men aged 45-54.

Table 58 is suggestive in this respect, although the figures are unavoidably weak and must be interpreted with caution. It shows activity rates [7] for men aged 50 and over, and the countries have been arranged in descending order, corresponding roughly to the degree to which the labour market situation during the post-war period has been one of strain. There appears to be a fairly clear tendency, especially in the age group 55 to 64, for activity rates to be higher where the general employment situation is more favourable. No such tendency can be discerned in the figures for the age groups over 64, which are heavily influenced by the varying importance of agriculture and other small-scale enterprise where active life tends to last longer and retirement is a more gradual process than for wage- and salary-earners.

The introduction or extension of comprehensive schemes for old-age pensions fell largely in the inter-war period and it was inevitable that the social objective of providing security and leisure for the old should be intermingled with the aim of reducing burdensome surpluses on the labour market. The result was relatively low pensionable ages and, in some cases, an arrangement of the scheme so as to provide an incentive for early and complete retirement.

Since the war, an important change in attitudes has occurred, although in varying degree in the different countries. There is not only the fact of full employment and shortage of labour in a number of countries but also the aging of populations that has taken place and will continue. The costliness, whether measured in terms of output forgone or in terms of the additional transfer burden, of keeping the economic activity of the old below the optimum is consequently being felt more acutely. Thirdly, medical progress, together with the declining importance of hard manual work, has raised the age at which working capacity begins to be seriously reduced. For all these reasons, the question of retirement age now presents itself as one of meeting the requirements of social policy while at the same time utilizing as fully as possible the working capacities of old people. Thus, while the fundamental objectives have become more straightforward, the technical problems of old-age pension schemes have become rather more complex since a difficult balance between conflicting aims has to be struck.

Present policies of retirement

Some main data concerning the present arrangements of old-age pensions are shown in Table 59. By

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[7] I.e., the percentage share of a population group reported as economically active.

TABLE 59

Basic characteristics of national old-age pension schemes

Country	Minimum pensionable age		Conditions with respect to work and earnings			Incentive provided for postponement of claim on pension	
	Men	Women	A	B	C	Annual increment	Maximum increment
						As percentage of initial annual pension	
Ireland	70	70		×			
Norway	70	70		×			
Iceland	67	67			×	5 per cent	40 per cent
Sweden	67	67		×			
Finland	65	65		×			
Western Germany	65	65			×		
Netherlands	65	65		×			
Portugal	65	65	×				
Spain	65	65	×				
Switzerland	65	65			×		
Austria	65	60			×		
Belgium [a]	65	60	×				
Denmark	65	60		×		2 per cent for each of the first two years, 1.33 per cent for each of the next three years	8 per cent
Greece [a]	65	60		×			
United Kingdom	65	60	× [b]			9.25 per cent	*Circa* 46 per cent
France	60	60			×	4 per cent [c]	
Turkey	60	60	×				
Italy	60	55		×		6 per cent for the first year rising to 10 per cent for the fifth year (men)	40 per cent (men)
Yugoslavia	55	50		×			

Sources : The data have been taken mainly from *The Age of Retirement*, International Labour Organisation, European Regional Conference, 1955; Geneva, 1954.

A — Payment of pension at pensionable age is conditional upon retirement from regular employment.

B — Pension is reduced by specified fractions of earnings and other income above a certain minimum.

C — The receipt of old-age pension in addition to other income is subject to no restriction.

[a] Belgium and Greece allow pensions to be claimed up to five years before pensionable age subject to discounts of 35 and 30 per cent respectively.

[b] This condition is removed at the age of 70 for men and 65 for women.

[c] Percentage of average annual earnings.

far the most usual minimum pensionable age is 65 for men and 60 or 65 for women, and it is significant that lower pensionable ages are found in Italy, France and—with corresponding reductions of the pensions—in Belgium and Greece. The French situation is paradoxical. Demographic trends, as well as the over-all employment situation, suggest the need for a high pensionable age; but fears of unemployment continue to be strong. In addition, there are some important occupations—miners, seamen and railwaymen—for which the effective age of retirement is as low as 55. It is usual in many countries for the pensionable age to be particularly low in arduous or dangerous occupations, but whenever the retirement age falls below 60 there is good reason to suspect that the desire to relieve the labour market has been the more important consideration. This is undoubtedly the case in France, where the unusually low age of retirement in sectors with constant or declining manpower requirements bears witness to a rigid occupational structure.[8]

The low pensionable age in Italy clearly reflects the difficult employment situation of that country, but the aim of relieving the labour market tends to be defeated by the small pension to which people are entitled at 60 years of age. Since 1954 the question of revision of the whole scheme has come up. The government proposal—which is encountering stiff opposition—is to raise the minimum pensionable age to 65 and, at the same time, to make that age the effective maximum at which workers have to retire.

The question of raising the age of retirement and of revising other features of the national old-age pension systems is at present under discussion in a number of European countries. In the Netherlands a draft law providing for flat-rate pensions, independent of retirement and with no maximum limit to earned income, is expected to be put into operation in 1957. In this case, the desire to stimulate the economic activity of the old appears to have been of only secondary importance as compared with general considerations of social policy. In the Scandinavian countries, on the other hand, the necessity to induce fuller participation of older people is a major argument in favour of a revision of the existing systems.[9] In western Germany, too, the need is stressed for changing the provisions introduced in 1948 when, with a difficult employment situation, a policy was adopted which tended to advance the age of retirement and keep older people off the labour market by granting them various allowances.[10] In the United Kingdom a recent parliamentary report recommended the increase—over a period of years—of the pensionable age from 65 to 68.[11]

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[8] The number of persons receiving pensions from the French railways is as high as the number of employees.

Apart from the pensionable age itself, the way in which the old will choose between work and leisure is influenced by the detailed arrangement of the old-age pension schemes, especially with regard to premiums for delaying the claim of the pension beyond the minimum age, and provisions by which the payment of the pension is conditional on retirement or its amount varies inversely with the pensioner's earned income. There is no simple solution to these problems which would be equally acceptable from the points of view of labour supply, of social justice and of financial feasibility. Broadly speaking, the present tendency in countries with full employment appears to be towards more liberal treatment of private earnings.[12]

Any system which tends to place the worker nearing retiring age before a clear-cut alternative of work or leisure is likely to be unsatisfactory both from the point of view of encouraging economic activity of the old and from that of mental and physical health. A highly important question is therefore to arrange the old-age pension schemes in such a way that it becomes possible to retire gradually, by a successive reduction of working hours and/or by a change to less exacting or responsible work.[13] As long as the question of retirement is posed in terms of an " either/or ", the detailed arrangements of the schemes, with regard to retirement conditions and earnings limit, are unlikely to have much influence on the actual age of retirement, since pensions are in any case far below the ordinary wage even for unskilled workers. On the other hand, with more flexible systems, allowing for gradual retirement, there may, in the long run, be very considerable possibilities of more work being done (and greater satisfaction being reaped) by the older part of the population.[14] This, of course, depends on measures of labour market policy beyond those directly connected with old-age pensions, and it may also require some government influence, through control or incentive, on the way in which private pension schemes are operated.

Private pension schemes

Pension schemes in private industries and public services are of rapidly growing importance in determining the extent to which older people participate in economic activity, both directly as they affect the beneficiaries of the pension schemes and indirectly as they influence employers' and employees' attitudes to the question of the appropriate age of retirement.

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[9] This point is emphasized in the recent Finnish parliamentary proposition for increasing pensionable age by two years, and in the proposed Swedish pension scheme for people retiring from active life. This latter scheme provides for a minimum pensionable age of 67, as against 65 under the national scheme.

[10] See, for instance, Gerhard Mackenroth, " L'importance de la limite d'âge dans le rapport population active - population inactive ", *Etudes européennes de population*, Institut national d'Etudes démographiques, Paris, 1954.

[11] Report of the Committee on the Economic and Financial Problems of the Provision for Old Age (HMSO, Cmd. 9333), December 1954.

[12] For a description of the systems practised in various countries and a discussion of the problems involved, see D. S. Gerig, " Pensionable Age under Old-age Pension Schemes ", *International Labour Review*, I.L.O., No. 4, October 1955.

[13] In the United States much attention has been given in recent years to the study of the physiological and psychological aspects of working capacity in the older age groups. In western Europe few intensive investigations have been made. One example is an enquiry among 315 old building workers in the United Kingdom. The majority said they wanted to continue work but confessed to being unable or afraid to work on high roofs or ladders, or not wishing to have a long journey from home to the working place. This would seem to indicate a psychological rather than a physiological weakening of working capacity, which might relatively easily be allowed for by appropriate changes in working conditions. See review of F. Le Gros Clark, " The Working Fitness of Older Men ", *Population*, Paris, July-September 1955, p. 580.

[14] " If a growing number of old people have to be helped to lead happy and useful lives I can think of nothing more important than that they should learn to retire slowly, continuing in work for as long as possible, but for diminishing stretches of time, at a diminishing pace of work and with diminishing responsibilities. It is wrong, wasteful and cruel that men should be faced with the choice between drawing their pension, retiring altogether, or nearly so, or staying on in their job with an undiminished load.... From the point of view of a happy and prosperous society it is desirable that men of 65-70 should be free to choose, not whether to retire, but how much to retire: far more desirable than that every able-bodied man should postpone retirement until the last possible moment." From minority statement by A. K. Cairncross, in the *Report of the Committee on the Economic and Financial Problems of the Provision for Old Age*, HMSO, Cmd. 9333, December 1954.

The expansion of private pension schemes has been particularly rapid in countries where full employment conditions have stimulated the interest of employers in keeping a steady labour force.

As far as available information goes, the pensionable age in private schemes seems, if anything, to be lower than that provided for in the national old-age pension schemes.[15] In fact, the minimum pensionable age laid down in the national old-age schemes tends to set an upper limit for the age from which pension is payable in the private schemes. Moreover, it would seem that private schemes often provide for compulsory retirement when pensionable age is reached, regardless of working capacity in the individual case. This tendency towards an inflexible and relatively early retirement age is probably due largely to pressure from the younger staff interested in quick promotion. It is known that in the United Kingdom compulsory retirement at a given age is particularly frequent in industries where private pension schemes are important. In those industries, however, where labour is very short, compulsory retirement is almost non-existent, regardless of whether a pension scheme exists or not. It is reasonable to think that in Continental western European countries, where public opinion is generally less aware of the necessity of full utilization of labour resources, private pension schemes are on the whole more restrictive in matters of retirement age, and it may well be that as they spread further, the need will increasingly be felt for government regulation or supervision to prevent an unnecessarily low retirement age becoming customary.

As against this, it is not irrelevant to point out that, with the continuing aging of populations, high retirement ages—not least in public services—entail a danger of professional ossification. But, again, this fear would be unwarranted if systems of gradual retirement to less exacting and possibly less responsible posts could become the rule.

In conclusion, it can be said that, except for the special case of Italy, the policy of keeping retirement ages low in order to relieve the labour market is a thing of the past, at least as far as the national old-age schemes are concerned.

In those countries where unemployment among older people continues to be of importance—Belgium, western Germany and France—there has been much discussion about the possibility of compelling employers to give a fixed proportion of jobs to elderly people. This may be a questionable measure and, in fact, it has not been put into practice. But the discussion at least points to an important change in approach: the aim is now to provide jobs for the elderly unemployed rather than to evade the problem by pensioning them off.

In the countries of full employment, the present tendency is clearly towards some increase in the pensionable age and the abolition of special features in the schemes which may tend to discourage the old from gainful work. On the other hand, little progress has been made in developing more positive policies intended to reduce, through flexible and gradual retirement, unwanted old-age leisure.

The age of entrance into active life

The long-term trend has been for the rates of activity to decline at both ends of the economically active life. As already mentioned above, the trend has been for the average age of retirement to fall, owing to improvements in social security and a decline in the relative importance of agriculture. Concurrently with this, the age at which young people join the labour force has gradually risen as a result of improvements in educational systems.

TABLE 60

Activity rates for males aged 15 to 19

Country	Year	Activity rate	Year	Activity rate
Great Britain .	1931	90 [a] [b]	1951	86
Sweden	1930	82	1950	75
Norway	1930	79	1950	72
Netherlands . .	1930	72 [c]	1947	66 [c]
Switzerland . .	1941	78	1950	74
Denmark . . .	1940	85	1950	84
Belgium	1930	80	1947	67
France	1936	72	1951	71

Sources : See Appendix C.

[a] Age group 15-20.

[b] England and Wales only.

[c] Age group 14-19.

Table 60 gives some indications of this development over the period from 1930 to 1950. Census data are generally not sufficiently detailed to show the changes in activity rates, especially for the 14- to 16-years age group for which the increase in school attendance must have been most pronounced; but even within

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[15] The same is often true of special pension schemes in public services. The low age of retirement in French mines and railways has already been noted.

TABLE 61

Secondary school attendance

Percentage change between years indicated

Country	Period	Pupils in secondary schools [a]	Total population aged 15-19
Sweden	1939-1954	+139	−15
Finland	1940-1950	+ 64	−10
Italy	1939-1952	+ 49	− 9
England and Wales . .	1938-1954	+ 46	−18
France	1938-1952	+ 43	− 6
Netherlands	1938-1952	+ 34	− 3
Switzerland	1939-1954	+ 11	−12

Sources : National statistics and *World Survey of Education*, UNESCO, 1955.

[a] The data relate to the number of pupils aged above 13 (or 14) attending secondary schools, except for Italy, France and the Netherlands, where children aged above 10 (or 11) are included.

the broader age group 15 to 19 the decline in the relative number of gainfully employed is unmistakable.[16]

The increase in school attendance reflects both a lengthening of the period of compulsory primary schooling and an increase, with rising standards of living, in voluntary attendance at schools providing education beyond the compulsory stage. Table 61 shows the importance of this latter factor for a number of countries.

There has been a characteristic change, since the inter-war period, in the motives behind policies towards compulsory school attendance, and the parallel with policies of old-age pension is striking. In the 'thirties plans to raise the school-leaving age were largely governed by the desire to reduce juvenile unemployment. Young people had to be kept away from the labour market, and prolonging their school-days appeared to be a way of combining this aim with cultural progress.[17] Nevertheless, actual progress in extending the length of compulsory school was very limited in the inter-war period.

The war and its aftermath have caused a considerable change in the approach to the problem, and also in the actual progress made. The dominating consideration today is the desirability of education *per se.* There are, however, exceptions to this generalization. For instance, certain districts in western Germany are left free to impose an additional year of compulsory education when the employment situation makes it necessary, and in Italy the problem of assuring fuller effective attendance in compulsory schools has been dealt with largely as a means of diminishing the pressure on the labour market.[18]

Table 62 shows the present position (as well as plans) with regard to compulsory education in western European countries. It appears that a reform is envisaged in a number of countries, but it is also obvious that there is a considerable lag between the decision to raise the school-leaving age and the actual execution of the plans. In Sweden, the additional year decided upon in 1950 is still awaiting full implementation, and the same is true of the second major step of the reform of the British school system voted in 1944—i.e. further raising the school-leaving age from 15 to 16. In France, the recommendations of the Langevin-Wallon Commission have so far remained a dead letter. In Finland, Austria and western Germany, the extension of the period of compulsory school attendance from 8 to 9 years is at present being actively considered. In Italy, the compulsory school period is, according to law, eight years, which does not compare unfavourably with the legal position in other western European countries. But this standard is far from having been reached throughout the country: in the school-year 1949/50 only 26 per cent of children aged 11 to 14 went to school. Illiteracy continues to be a problem both in Italy and in other countries in southern Europe, where the compulsory school system is far behind that of the economically more advanced countries.

The impact on the labour market of an extension of the period of compulsory school attendance is twofold. First, there is the permanent effect of increasing somewhat the size of the inactive population in relation to the active; this may, of course, be more than offset by an increase in productivity resulting from fuller school education, especially if the additional school year is devoted partly to vocational training. Second, there is the temporary effect of reducing the number of new entrants to the labour market in the transitional year or years. If a one-year increase in the school-leaving age is carried through

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[16] The figures for Belgium and the Netherlands probably over-state the case to some extent, since they refer to the year 1947, when the recuperation of school years lost during the war may still have been of some importance.

[17] See, for instance, *Ein Jahr mehr Kindheit, ein Beitrag zum Kampf gegen die Arbeitslosigkeit* (One More Year of Childhood, a Contribution to the Struggle against Unemployment), published by the Swiss Association for Social Policy, Zurich, 1935. See also *Compulsory Education and its Prolongation*, UNESCO, 1951; and E. Heyerick " De leerplichtverlenging in België " (The Prolongation of Obligatory School in Belgium), *Economisch-Statistiche Berichten*, Rotterdam, 24 February 1954.

[18] See H. Wander, " Berufsausbildung und Produktivität " (Vocational Training and Productivity), *Kieler Studien*, No. 26, 1953, and Tomasso Salvemini, " Le scuole secondarie de avviamento professionale in Italia ", *Rassegna di Statistiche del Lavoro*, No. 1, 1954.

TABLE 62

Present position and plans for compulsory school education

Country	Number of years of compulsory school	Year of implementation of present scheme	Plans for extension of present scheme	Remarks concerning present scheme
United Kingdom . . .	10	1947	The 1944 Education Act provides for an eleventh year to be introduced " as soon as the Minister of Education is satisfied that it is practicable to do so ".	
Ireland	8	1926		
Iceland	8	1946		In most rural districts compulsory schooling 7 years only.
Sweden	7	1920	Law on 9 years' compulsory school passed in 1950. Not likely to be implemented before 1960.	Present period of compulsory schooling is 8 years in a number of districts.
Norway	7	1889	Department of Education recommends introduction of eighth year in 1958/59.	Time spent in compulsory education increased by 30 per cent in 1936 by raising weeks of attendance per year.
Denmark	7	1814	Ministry of Education considering introduction of eighth year in certain municipalities.	
Finland	8	1944 (urban) 1948 (rural)	Proposal to introduce ninth year submitted to Parliament in 1953.	
Netherlands	8	1950		
Belgium	8	1914	Ninth year to be introduced in 1956.	
France	8	1936	A Ministerial Commission (Langevin-Wallon) proposed in 1945 the introduction of one additional year of full-time and three further years of part-time schooling.	
Austria	8	1869	Ninth year being examined by the Ministry of Education.	
Western Germany . .	8	*a*	General introduction of ninth year under active consideration.	9 years in Schleswig-Holstein, Hamburg, Bremen, Berlin; 8.5 to 9 years temporarily introduced in a number of other provinces.
Switzerland	7 to 9	*b*	General introduction of 9 years' compulsory schooling recommended by federal authorities.	
Italy	8	1928		Not fully effective; in communes where no provision exists for 8 years' schooling, children may leave when existing classes are completed.
Spain	6	1919	9 years provided in law of 1945 to be implemented gradually.	
Portugal	5	1952		
Yugoslavia	7	1945		Not fully effective; in most regions only 4 years.
Greece	5	1929		
Turkey	5	. .		Compulsory up to 9 years if required classes are not completed.

Sources : National sources and *World Survey of Education*, UNESCO, 1955.

a Varies with province, introduced generally by 1920.

b Varies with canton; 8 or 9 years have been introduced in a number of cantons since 1940.

in one step, the decline in that year in the inflow of young people to the labour market, though small in relation to the total labour force, may be very considerable in relation to the normal annual number of entrants. Estimates that have recently been made in Belgium, the Netherlands and Denmark suggest that the number of recruits might fall to about half its normal size.[19]

In these circumstances, it is worth remembering that in a number of countries the unusually big generations born during and immediately after the war are due to reach school-leaving age in the next few years, and that in some cases the prospective increase in the numbers of young people reporting for gainful work will be both large and steep (see Chart 9). This would seem to provide an excellent opportunity for timing the extension of compulsory schooling in such a way as to moderate the swings in the annual number of young people to be absorbed into the labour force. It will be all the more possible to take advantage of this opportunity because the arrival of the big generations at the ordinary school-leaving age will be accompanied by a tendency for the total number of school-children to level off, or even decline, so that it becomes less difficult to solve the thorny problem of capacity, in terms of buildings and teachers necessary for an extension of the school-leaving age.

The economic activity of women

The number of registered unemployed is generally a poor indicator of available reserves of manpower, and especially so in the case of women. Table 63 gives some illustration of this for the most recent years.

In the United Kingdom employment continued to expand at a more or less unexpectedly high rate, and the increase was especially great for women. It appears that this increase was only to a minor extent made possible by a further decline in the extremely low number of women registered as unemployed. Clearly, the expansion of the demand for labour drew a considerable number of hitherto inactive women into the labour force. The large increase in employment in western Germany has been made possible partly by a decrease in the number of unemployed and partly by the continued increase in the total labour force owing to an influx from abroad and to some shifts in the age-composition of the adult population. But there is a notable difference between the figures for men and women: until recently the reduction of unemployment was confined almost exclusively to male workers, and only during the last year or so, with the increasing exhaustion of the reserves of unemployed men, have the reserves of unemployed women begun to be drawn on.

TABLE 63

Recent increase in employment and labour force

Year-to-year percentage change

Country	Labour force (employed *plus* unemployed)		Employed	
	1953 to 1954	1954 to 1955	1953 to 1954	1954 to 1955
Great Britain (August)				
Men	0.4	0.9	0.6	1.2
Women	1.9	2.3	2.1	2.5
Western Germany (September)				
Men	2.9	2.8	4.2	4.9
Women	6.2	5.5	6.4	7.6

Sources : Monthly Digest of Statistics and *Wirtschaft und Statistik.*

These examples illustrate both the tendency for women to be at a disadvantage in the labour market (somewhat following the rule " last in, first out ") and also the fact that normally reserves of female labour exist beyond those shown in unemployment statistics. When there is extensive unemployment, attitudes towards female employment are often based on the view that employment opportunities are scarce and therefore must be reserved for the men. These attitudes tend to change under conditions of full employment such as existed after, and not least during, the war. The mobilization of labour in the United Kingdom (and in the United States) during the war was perhaps the most outstanding example of this. But although definitely restrictive measures against the employment of women have generally declined in importance, it is still far from true that provision has been made to obtain the optimum level of women's participation in work outside the family sphere.

Past trends in female employment

Even if it were assumed that changes in the numbers of women gainfully employed correctly reflect changes

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[19] This takes into account that many children (especially in Belgium) are anyway continuing school after completion of the compulsory stage, and that (particularly in the Netherlands) the decline in the number of male entrants to the labour market might result in an increase in the supply of young female labour. For Belgium see E. Heyerick, op. cit.; for the Netherlands, W. H. Soudermeijer, *On Economic Consequences of Extending Compulsory Education*, paper presented to the 17th European Meeting of the Econometric Society; and for Denmark, *Betaenkning vedrørende de store fødselsaargange*, 1955.

TABLE 64

Various indicators of the economic activity of women

	Year [a]	Great Britain [b]	Ireland	Denmark	Finland	Norway	Sweden	Netherlands	Belgium	France	Western Germany	Austria	Switzerland	Italy
I. *Percentage distribution of female labour force*														
Share of total active women:														
In agriculture	Pre-war	1	32	31	64	19	. .	14	14	36	42	44	5	45
	Post-war	2	21	26	46	11	9	14	7	28	35	44	5	43
In other sectors	Pre-war	99	68	69	36	81	. .	86	86	64	58	56	95	55
	Post-war	98	79	74	54	89	91	86	93	72	65	56	95	57
Share of active women outside agriculture:														
In industry [c]	Pre-war	37	19	28	42	22	30	26	44	47	38	34	39	45
	Post-war	41	25	32	39	29	29	32	43	39	38	39	39	42
In trade.	Pre-war	15	16	15	16 [d]	16	17	16	18	22	19	12	11	15 [d]
	Post-war	17	17	16	20 [d]	18	21	20	20	23	18	14	13	19 [d]
In paid domestic service . . .	Pre-war	22	32	25	13	26	18	36	14	15	18	. .	21	20
	Post-war	6	19	11	9	8	9	20	9	10	14	10	18	. .
In other services	Pre-war	26	33	32	29	36	35	22	24	16	25	. .	29	20
	Post-war	36	39	41	32	45	41	28	28	28	30	37	30	. .
II. *Percentage share of women in the total labour force of:*														
Industry	Pre-war	25	22	21	34	18	18	14	18	26	20	23	24	26
	Post-war	25	21	22	31	17	17	17	19	24	21	23	23	24
Trade.	Pre-war	32	33	34	48 [d]	36	40	24	44	45	44	36	39	38 [d]
	Post-war	43	36	35	53 [d]	41	42	32	39	44	42	43	41	32 [d]
Services (excluding domestic) . .	Pre-war	29	34	38	43	38	38	23	34	34	28	. .	36	23
	Post-war	35	36	41	39	36	41	. .	25	45	33	38	38	. .
III. *Active women as a percentage of all women by age and marital status*														
In age group 15 to 39	Pre-war	45 [e]	40 [e]	59 [f]	. .	36	39	35 [g]	. .	. .	56	. .	44	38 [h]
	Post-war	47 [h]	38 [e]	55 [f]	58	33	39	35 [g]	33	55 [g]	55	66 [i]	47	. .
40 to 64	Pre-war	20 [j]	23 [j]	35 [k]	. .	24	24	16	. .	. .	38	. .	24	23 [j]
	Post-war	28 [j]	21 [j]	39 [k]	56	24	27	19	20	51	32	42 [l]	27	. .
15 to 64	Pre-war	37 [m]	34 [m]	47	. .	32	32	29 [m]	33	. .	48	. .	36	34
	Post-war	40	33 [m]	45	57	29	34	29 [m]	27	53 [m]	44	49	37	37 [m]
Married women 15 to 64	Pre-war	11	. .	24 [n]	. .	. .	10	7	19	. .	. .	. .	10	. .
	Post-war	22	. .	27 [n]	46	. .	16	11	. .	. .	26	34	. .	. .
IV. *Distribution of female population by age and marital status*														
Age group 15 to 39 as percentage of age group 15 to 64	Pre-war	58	60	61	62	63	58	64	59	56	58	57	56	61
	Post-war	52	58	55	57	55	53	60	52	50	52	49	53	58
Married women as a percentage of total women:														
In age group 15 to 39 . . .	Pre-war	45	31	49	42	37	47	45	56	57	53	42	44	48
	Post-war	60	38	59	52	54	59	50	56	56	49	48	48	. .
In age group 40 to 64 . . .	Pre-war	69	60	71	59	64	65	74	73	66	71	62	65	69
	Post-war	72	61	72	62	68	69	75	75	71	70	64	67	. .

Sources: National statistics.

NOTE. — Inter-country comparisons should be made with great caution; the importance of unpaid family workers in the total active female population varies in post-war years from 25-35 per cent in Finland, western Germany, Austria, France, Denmark and the Netherlands to 1-5 per cent in Great Britain, Norway, Sweden and Switzerland. No doubt these variations reflect differences in statistical methods more than in actual occupational distribution. This source of error affects in particular the comparability of data for women in agriculture and the information on activity rates for women. Comparability between different years for the same country may also be unsatisfactory in Belgium and Italy, where the share of unpaid family workers in the total female labour force fell by as much as 50 per cent during the period considered (from 19 and 33 respectively). In Belgium, nearly one-half of total female family workers were reported as active in non-agricultural occupations in 1930.

[a] Pre-war data relate to the year 1930 for Norway, the Netherlands and Belgium; 1931 for Great Britain and France, 1934 for Austria, 1936 for Ireland and Italy, 1939 for western Germany, 1940 for Denmark, Finland, Sweden, and 1941 for Switzerland. Post-war data relate to the year 1950, with the following exceptions: Belgium (I-IV) and Netherlands (III), 1947; Great Britain, Ireland, Austria (I-IV), France (III) and Italy (IV), 1951; France (I, II and IV) and Italy (I-III), 1954.

[b] Pre-war data in III relate to England and Wales only.

[c] Including mining, building and construction, gas and electricity.

[d] Including banking and insurance.

[e] 14-44.

[f] 15-34.

[g] 14-39.

[h] 15-44.

[i] 15-29.

[j] 45-64.

[k] 35-64.

[l] 30-64.

[m] 14-64.

[n] 15 and above.

in their inclination to take paid work outside the family enterprise, statistical shortcomings make it very difficult to know what the actual trend has been in recent years, and the reader must be warned not to draw hasty conclusions from the various data brought together in Table 64. To begin with, the last census was in most cases taken in 1950 or 1951, and a comparison with the pre-war situation must in some cases be based on figures for a year as far back as 1930, which means that one can consider only the net changes over the whole of a 20-year period with widely varying conditions in the labour markets. Moreover, international comparisons of the economic activity of women are precarious owing to the widely different ways of registering women doing unpaid work in family enterprises, notably agriculture. Finally, activity rates differ widely according to age, marital status and the number of children and average rates for all women may therefore be misleading as indicators of changes in women's propensity to take paid work, and statistics for separate groups of age and marital status are rarely available.

Despite these serious limitations, some broad generalizations can be drawn from the figures presented in Table 64. It can be seen from the first four lines that the proportion of active women engaged in agriculture has declined almost everywhere, and in some cases the decline is considerable. The distribution of the non-agricultural female labour force by main sectors—in the next eight lines of Table 64—is probably more comparable between countries. It indicates another field of activity which has tended to be deserted by women, namely that of paid domestic work. Typically, the relative importance of domestic work has fallen by something between one-third and one-half from 1930 to 1950. The United Kingdom and Switzerland stand out as extreme cases, in opposite directions. The exceptionally big fall in the United Kingdom is largely the result of war-time efforts to mobilize women for industrial work, and the change in attitudes has been further strengthened by a continuously high level of demand for labour throughout the post-war period. In Switzerland, the proportion of women doing paid housework has declined only slightly. The tendency of young Swiss women to desert housework may have been no less marked than in other countries with full employment, but the gap left by them has been continuously filled by immigration, notably from Italy.[20] Apart from these two special cases, the decline in the relative importance of paid housework has been rather uniform.

The sectors to which female labour has been drawn are trade and, in particular, " other services " which include, for instance, catering, health and education services and banking. By 1950, some 30 to 40 per cent of the total employment in trade and " other services " was accounted for by women as against no more than 17 to 25 per cent in industry (see second part of Table 64).

The last two parts of the table show activity rates for women (over-all and by broad age groups), as well as some demographic data of special relevance for the explanation of trends in total activity rates. In view of the statistical shortcomings just mentioned, the table can at best claim to show the change over time in any given country, and no importance should be attached to differences in the level of activity rates as between countries. The over-all activity rates appear to have remained fairly stable over the 20 years here considered. It is further seen that activity rates are far lower for women within the age group 40 to 64 than for those within the group 15 to 39, and that, in most cases, they are relatively low for married women. These groups with particularly low activity rates are precisely those which have become relatively more important: there has been a very marked increase in the proportion of women of working age belonging to the age group 40 to 64, and a no less remarkable increase in the relative number of married women.[21] The latter tendency largely reflects a shift towards lower marriage age.

In view of these demographic changes, the fact that the over-all activity rates for women have remained stable or have declined only moderately would seem to imply an increased inclination of women of given age and marital status to enter the labour market.

This trend is undoubtedly the joint effect of long-term changes in social habits and of the high general level of activity in the post-war period. But although the pull of full employment has probably had some effect—greatly varying as between countries—and though registered unemployment among women is in most cases extremely low, in many countries where the labour situation is tight it is still believed that there is scope for a considerably higher participation of women in economic life. There are at least three reasons to believe that such is the case: first, the old and well-known problem of lack of balance between predominantly male and typically female industries which restricts employment opportunities for women in many particular regions; second, there are also important hang-overs of traditionalism—and restrictionism—in views about the kinds of work that are appropriate for women; third, and perhaps most important, there is the question of adapting the conditions and opportunities of work to the life-cycle of women—in other words the question of making it possible for women to take care of family responsibilities without being faced with the dilemma of retiring completely, or having to carry a double workload. This question has in recent years come to the fore in several countries.

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[20] From 1941 to 1950 the proportion of foreigners amongst women occupied in paid domestic service rose from 11 to 32 per cent.

[21] The only exceptions are France and western Germany.

Part-time work

It is mainly in the United Kingdom and in the Scandinavian countries that attention has been given to the problem of facilitating a fuller participation of women in economic activities during the period when their family responsibilities are heavy. There are two main ways: first to reduce the family duties themselves,[22] by providing day nurseries and school meals, by arranging shopping hours, and so on; and second, to reduce the burden of paid work through an expansion of the system of part-time work.

Only vague and scattered information is available on the extent to which voluntary part-time work for women is actually practised.[23] It is known that it is almost non-existent outside domestic service in Belgium, the Netherlands, Switzerland and France, and limited largely to trades like domestic and clerical work, sales and catering jobs and certain professional occupations in the United Kingdom and the Scandinavian countries. There seems to be very little part-time work in industry except possibly in the United Kingdom.[24] In the United States, part-time employment is widespread among women, though, as in Europe, most of it is to be found in non-industrial occupations.[25]

In every country where the question has been considered, women's demand for part-time jobs has been found to exceed the supply. This is not surprising in view of the fact that both employers' organizations and trade unions, and sometimes also governments, have been reluctant to deploy efforts to facilitate this type of employment. Employers object to part-time employment mainly because it is believed to entail higher costs of supervision and administration, relatively high training costs and, in some countries, higher expenditure on social security per unit of output. There is little information which would make possible a comparison of total costs per unit of output under full-time and under part-time work, but there is some *prima facie* evidence of a cost-difference in the fact that employers generally take on part-time workers only when full-time labour is not available.

The lukewarm attitude taken by trade unions probably reflects a fear that the unity and coherence of the organizations might be threatened by the addition of a fringe of less stable workers not closely attached to the profession. It is often feared that married women in particular might be willing to accept substandard conditions of work and thus exert a pressure on the wage level of full-time workers. These apprehensions are only too understandable, and it is clear that active co-operation of trade unions in the organization of part-time work on a larger scale is possible only in countries where there is little fear among workers of the re-emergence of unemployment, and where the workers' organizations are strong and all-inclusive. Only in that case could part-time work be organized so as not to impair the conditions of the regular full-time labour force. Even so, it is a delicate question whether the allegedly higher cost of employing part-time workers should be reflected in hourly wage rates somewhat lower than those stipulated for full-time workers.

Tax and social security legislation is often an obstacle to the wider spreading of part-time work. In France, the system of *allocation de salaire unique* reduces the interest of married women in part-time work.[26] Likewise, the minimum level of earned income at which pensions and other benefits are withdrawn or reduced is often so low as to discourage women from taking even part-time work. In some Scandinavian countries income tax regulations are an effective disincentive for married women to work.[27] Taxation of married women's earnings in western Germany was eased during the war, after having been increased in 1934 as a means of keeping married women off the labour market. Changes in existing arrangements are now planned, but they are not intended to induce married women to take up employment.[28] In the United Kingdom, a Royal Commission recently recommended a reduction in the amount of the special personal allowances granted a married woman in respect of her earnings.[29] In Belgium, the present provisions for sickness and disability insurance schemes make it very costly for part-time workers to join them. Fully one-third of the salary of women workers employed on a half-time basis would normally have to be spent on social security contributions. Finally, the employment of part-time workers sometimes involves the employer in contributions which are out of proportion to those paid for full-time workers.[30]

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[22] There is considerable room for improvement in this direction. Thus, a recent Swedish investigation showed that working women had a total of 65,000-70,000 children below school age while there was accommodation in day nurseries for only 11,000.

[23] Part-time work, as here understood, must be clearly distinguished from the working of short hours owing to lack of employment opportunities, and also from casual employment, on a part-time basis, in periods of peak activity. The part-time work considered here is characterized by being organized on a regular schedule and having a certain duration, but involving substantially fewer hours than a normal working day, or fewer days than a normal working week.

[24] In the British 1951 census, some 10 per cent of women in the manufacturing industries were reported as part-time workers, but this figure includes part-time work other than that considered here.

[25] More than one-fifth of all female workers had in late 1953 a working week of less than 35 hours. This group included women " unable to work full time for economic reasons such as slack work or unavailability of full-time jobs ". The majority of them however, representing 16 per cent of the total female labour force, did not want or could not accept full-time employment.

[26] If the earnings of a married woman with a working husband and two children exceeded Fr. fr. 5,750 monthly, the family would lose an allowance, granted on top of the regular family allowance to families with only one income earner, of Fr. fr. 6,900 monthly (according to the rules existing in 1952).

But, quite apart from these organizational and administrative obstacles, there is a further important reason why the idea of part-time work on a large scale, once mooted, has met with so little response. The idea of making the working day of women more flexible emerged as an answer to the problem of labour shortage, and its merits and demerits have been judged mainly on the basis of its expected effect on immediately increasing the supply of labour. However, more intensive studies of the practical possibilities in various occupations have generally suggested that the net short-run effect on the total supply of labour might be small, if at all positive; while a large number of hitherto inactive, married women would probably seize the opportunity offered by part-time work, it is not unlikely that an almost equally large number of married women hitherto working full time would want to reduce their working day. Hence, those who are in favour of part-time work on a large scale have a difficult case to argue as long as the main objective envisaged is solely to increase the supply of labour.

It may well be asked whether this is not far too narrow and short-sighted a view to take. It may be granted that arrangements for a more flexible working day for women would have no very important effects on the supply of labour in the short run. But the fact remains that women's adult life has three very distinct phases: before marriage, or before the birth of the first child, when rates of activity are very high; a period during which family responsibilities take the better part of the working capacity, and where activity rates are extremely low; and a long period, from the age of 40 to 45 and onwards, when the children have come of age, but activity rates nevertheless continue to be extremely low, reflecting the difficulties of re-integration into activities outside the family sphere (see Table 65).

TABLE 65

Activity rates for married women

Age group	Great Britain 1951	Sweden 1950	Switzerland [a] 1941
15-24	37	27	16
25-39	24	17	10
40-59	22	15	6
60 and above . .	4	3	3
15 and above . .	22	15	8

Sources : National statistics.

[a] Swiss nationals only.

It is not necessary here to elaborate on the highly important social and psychological problems involved. Suffice it to point out that the question of part-time work should be considered not primarily in relation to any short-term scarcity of labour, but in the wider perspective of building a bridge between the first and the third phases of women's adult life. In other words, the really important net increase in the supply of female labour lies in the future when generations of women who, during the period of heavy family responsibility, have been able, through part-time work, to maintain their contact with productive life outside the family, have advanced to the age when they are able, and also inclined, to return to fuller activity outside the household.

Looked at in this way, the question appears to be very similar to that of the activity of the old people, dealt with in an earlier section. In both cases, the adjustments in labour market policies, which in the first instance are often motivated by the emergence of labour shortage, open up more far-reaching questions of the optimum supply of labour as seen from a general welfare point of view.

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[27] A Norwegian government committee set up in 1947 to investigate ways of increasing the supply of female labour to industry recommended that the rules of income tax should be adjusted so as " not to induce women to give up their work solely on the grounds of taxation ". So far, however, no change has been made.

[28] See *Die Weltwirtschaft*, Institut für Weltwirtschaft, Kiel University, Heft 2, 1955.

[29] *Royal Commission on the Taxation of Profits and Income, Second Report*, HMSO, Cmd. 9105, April 1954.

[30] The information in this and the two previous paragraphs is based largely on replies to questionnaires submitted in 1952 by the International Labour Office to a number of countries.

4. The rationalization of low-productivity sectors

The problem of overcrowding and technical and economic stagnation in those sectors (mainly commerce, other services and agriculture) where small enterprise predominates exists in varying degrees in all western European countries. This problem is, to a certain extent, a counterpart to industrial unemployment, both present and past. In countries where there is considerable industrial unemployment, wages, for instance in agriculture, tend to be so low as to give little inducement for labour-saving innovations; furthermore, these sectors—most typically small-scale commerce—tend to become shelters for people who cannot otherwise find gainful employment. Multifarious systems of protection are then often built up both by private organizations and by governments in order to secure the survival of enterprises operating at a low level of productivity. These institutional factors tend to persist even in countries where industrial unemployment has ceased to be a major problem.

In countries, such as Italy and other southern European countries, where open unemployment in the urban sector continues to be important, the question of overcrowding in other sectors cannot easily be dealt with in a direct way, since the effective reduction of manpower in the sectors of low productivity depends essentially on the availability of investment resources for expanding employment elsewhere in the economy. By contrast, in those countries where full employment and a more or less general shortage of labour prevail in the industrial sector, the possibilities of taking remedial action are much better, because the main difficulty is not to provide alternative employment in industry and other sectors of high productivity, but rather to remove the institutional obstacles to a reduction of manpower in the low-productivity sectors. The discussion which follows is focused mainly on this latter problem.

Overcrowding in retail trade

Table 66 summarizes available census data on the number of retail shops and the number of persons engaged in retail trade. These figures must be interpreted with caution: the definitions and practices used in occupational censuses vary considerably from one country to another, and although a number of adjustments have been made in order to improve the comparability of the data, the table at best gives only a broadly true impression of the orders of magnitude involved.[31]

Even if the statistical deficiencies in measuring the number of shops and persons engaged could be ignored, the figures in the table would, of course, not directly indicate the relative position of the various countries with regard to productivity in retail trade. For such a comparison it would be necessary to have data, more reliable than are available, on the volume of sales effected by retail trade. In the absence of such information, valid comparisons of the figures in the table can be made only between countries in which the volume of per capita consumption is known to be fairly similar. It is clear, for instance, that the very low numbers of shops and people engaged in Italian retail trade, especially in non-food trade, reflect a comparatively low standard of living and not a high level of productivity in retail trade. In the case of Finland, the low number of shops and total personnel is probably to be explained partly by a comparatively low standard of living and partly by a relatively favourable structure of retail trade.

It is difficult to draw firm conclusions from the figures in the table, even from those for the food trade, which are less affected by differences in the standard of living than the figures for the non-food trade. But overcrowding in retail trade seems particularly serious in Belgium[32] and the Netherlands, whereas the United Kingdom and Sweden would appear to be among the countries with a relatively high level of productivity in retail trade, measured by western European standards. This should not be interpreted as meaning that there is no problem of overcrowding in the two last-named countries. In fact, the question of reducing the costs of retail distribution has in recent years been given more attention in those two countries than in most other western European countries.

A comparison with conditions in the United States lends considerable support to the view that there is much scope for rationalization of retail trade, even in those western European countries where this sector would appear to be most efficiently organized. In spite of the higher standards of food consumption, the relative number of people occupied in retail trade in food in the United States is much smaller than in western Europe (see Table 66). A thorough compara-

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[31] The main differences in methods concern the classification of mixed trade and handicraft enterprises and the inclusion of family helpers in the number of persons engaged. The line of demarcation between repair shops and retail trade is also variable, as well as the treatment of retailers without fixed premises.

[32] This would appear to be true even if the figures in the table to some extent exaggerate the degree to which, in Belgium, retail trade actually absorbs manpower: very often small retail shops are combined with other occupations.

TABLE 66

Number of retail trade establishments and their personnel

Country	Year	Number of establishments	Personnel			Establishments with total personnel of 10 or more [a]	
			Total	Paid employees [b]	Average number per establishment	Number of establishments	Personnel
		Per thousand inhabitants				As percentage of total	
Food Retail Trade (including tobacco)							
Belgium	1947	16.9	25 [c]	. .	1.5	—	—
Netherlands	1955	9.9	. .	. .	. .	. .	. .
France	1954	9.7	. .	. .	. .	0.4	. .
Denmark	1948	9.4	25	13	2.7	0.4	2.4
Norway	1952	6.2	16	10	2.6	. .	. .
Sweden	1951	6.8	23	16	3.4	3.4	19.2
Finland	1952	5.6	14	10	2.6	0.4	2.4
Western Germany	1950	7.4	20	8	2.7	1.4	7.8
Italy	1951	6.8	13	. .	1.9	0.3	3.7
Great Britain	1950	6.6	24	17	3.7	5.2	24.6
United States	1948	4.0	15	8	3.6	3.7	22.7
Non-food Retail Trade							
Belgium	1947	18.3	26 [c]	. .	1.4	0.2	. .
Netherlands	1955	9.3	. .	. .	. .	. .	. .
France	1954	6.7	. .	. .	. .	1.9	. .
Denmark	1948	5.0	18	12	3.5	4.8	31.7
Norway	1952	4.7	15	11	3.1	. .	. .
Sweden	1951	5.8	24	19	4.2	5.9	39.0
Finland	1952	2.9	13	10	4.3	7.7	39.7
Western Germany	1950	4.6	15	9	3.3	4.4	31.7
Italy	1951	3.9	8	. .	1.9	0.8	12.9
Great Britain	1950	4.6	23	19	5.1	8.2	50.1
United States	1948	5.8	38	30	6.6	9.9	52.6

Sources, definitions and methods: See Appendix C.

[a] Establishments with more than 10 persons in the case of Denmark, Sweden and Finland. Establishments with 10 or more paid employees in the case of Belgium, France and the United States. Enterprises with more than 10 persons in the case of Italy.

[b] Excluding family helpers.

[c] Estimate.

tive analysis of British and American censuses has recently been made.[33] It showed that the real volume of sales per shop in the United States was about two and a-half times higher than in Great Britain, and that productivity, as measured by the real volume of sales per person engaged, was about twice as high in the United States as in Great Britain.[34]

Obstacles to rationalization

Both legal measures and private monopolistic practices have helped to create and maintain the hypertrophy of the retail trade sector. The legal measures are of two main kinds: those which aim at hindering the development of large-scale enterprise; and those which have the effect of limiting competition by restricting the free establishment of new shops. A few examples may serve to show the character of these restrictions.

The clearest legislative measures directly aimed at checking modern, large-scale methods of retail trade are to be found in Belgium and Denmark. The Belgian *loi de cadenas* (the padlock law), as revised in 1954, forbids for a period of five years the opening or the enlargement of stores with more than five employees in towns with less than 50,000 inhabitants. In Denmark, retailers have been forbidden since 1857 more than one outlet within the same municipality. A similar legal restriction on the establishment of chain stores was in force in Norway until 1951. Some form of fiscal discrimination in favour of the small retailer is found in many countries, the main example being France,[35] where the tendency in recent years seems to have been towards a more and more lenient taxation of the small enterprise. In Switzerland, however, the special " compensatory tax " on department stores and other large-scale commercial enterprises was abolished in 1954.

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[33] See Margaret Hall & John Knapp, " Numbers of Shops and Productivity in Retail Distribution in Great Britain, the United States and Canada ", *The Economic Journal*, March 1955, pp. 72 ff.

[34] The comparison of the volume of sales was made on the basis not of official exchange rates, but of purchasing power parity.

Public restrictions on the establishment of new retail shops might appear, at first sight, to have the effect of preventing an increase in the number of shops, and this may also be the actual effect in the short run. However, such measures most often aim at, and result in, restricting competition, and in the long run the outcome is most likely to be high margins, and therefore a high number of retailers to be maintained, just as is the case with similar restrictions often imposed by private trade associations.

Licensing systems, based on requirements of professional knowledge, seem to be particularly important in Austria and until recently in the Netherlands.[36] Licensing based on an assessment of the local competitive situation was operated until 1953 in Austria. It continues to be in force in Italy, where certainly the existence of mass unemployment provides some justification for an attempt to check the establishment of small retail shops with little chance of survival, though it is questionable whether the advantages outweigh the disadvantages.

It may be more than a coincidence that the countries which have recently taken steps to abolish legal obstacles to the rationalization of retail trade (Norway and Switzerland) are among those where unemployment has been non-existent in recent years, whereas such legal obstacles continue to be important in Belgium, Denmark and France, where unemployment, or the fear of it, continues to exist. But even in countries where legal restrictions are now abolished or have never been of importance, the rationalization of retail trade is barred by a more formidable obstacle in the shape of private monopolistic arrangements. Among these, the practice of resale price maintenance is of crucial importance.

Towards the abolition of resale price maintenance

The practice of resale price maintenance is the most efficient of several methods by which competition in retail trade—and also in wholesale trade—is restricted. The connection between this practice of binding minimum prices for resale and the hypertrophy of the distributive trades has often been described, and a few words may suffice here.[37] When resale prices are fixed by the manufacturer, price competition among retailers is excluded and price competition among manufacturers tends to take the perverse form of offering high margins to retailers rather than low prices to the public. But it is only in the short run that the retailer's income is thereby raised; in the long run the extra margin tends to be eaten up because retailers, unable to compete by price-cutting, offer costly services in order to attract customers, and because the high margins attract new firms to the trade. The end-result is higher costs per unit of turnover, low utilization of capacity and, consequently, a low level of income per person engaged in retail trade. The high margins also mean that new enterprises can hope to make ends meet, even with a very small volume of turnover, and the system therefore almost inevitably leads to private arrangements between retailers' and manufacturers' organizations to control the establishment of new outlets or the broadening of the assortment of existing shops. Such controls, by encrusting the existing structure of trade, may be an important deterrent to the introduction of modern forms of retail trade.

There would be no reason to re-state these facts if it were not that in recent years there has been an important change in government attitudes to the practice of resale price maintenance. It is completely forbidden in Sweden (since July 1954) and in Denmark (as from July 1956).[38] In France, resale price maintenance was made unlawful by a decree of August 1953, and in the United Kingdom more or less complete prohibition has been recommended in recent official

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[35] For instance, the tax on the enterprise (*la patente*) is paid at a higher rate by department stores, chain stores and co-operatives than by other retailers. Likewise, the assessment of small commercial incomes on the basis of a fixed figure for " normal profits " (*régime du forfait*) is an effective discrimination in favour of the small enterprise.

[36] Such restrictions are often motivated by considerations of efficiency or safety irrelevant under modern conditions. For instance, in the Netherlands the excessive requirements, eased considerably in 1954, regarding professional knowledge have hindered the development of self-service shops offering a wide assortment of goods. In a number of other countries, out-of-date rules of hygiene have had the same effect. Those in force in Belgium date from 1890; similarly in Denmark, Norway, Sweden, western Germany, Austria and the Netherlands many of the existing rules are unnecessarily severe and unsuitable for modern retailing. In France, the small retailers have been particularly anxious to prevent the development of trade from sales-vans, and it is reported that in some towns these have been forbidden on the pretext that they are a hindrance to traffic. In Austria and Norway, all forms of mobile shops are prohibited, whether by van or by boat.

[37] See, for instance, Ulf af Trolle, *Bruttoprissystemet. En Problemanalys*, Stockholm, 1951; B. S. Yamey, *The Economics of Resale Price Maintenance*, London, 1954; and W. Arthur Lewis, *Overhead Costs*, London, 1949, Chapter V.

[38] According to the Swedish and Danish laws, it is permitted to indicate a " suggested " price to be charged at resale, provided it is made clear that this is not a minimum price.

TABLE 67

Estimates of the distribution of retail sales by main categories of enterprise

Percentage of total turnover

Country	Year		Independent retailers		Department stores		Chain stores		Co-operatives	
	Pre-war	Post-war	Pre-war	Post-war	Pre-war	Post-war	Pre-war	Post-war	Pre-war	Post-war
Netherlands	1938	1951	90	85	3	3	5	10	2	2
France	1930	1950	92	91	2	3	5	5	1	1
Denmark	1938	1950	86	85	3	3	—	..	11	11
Norway	1938 [a]	1950	94	84	..	..	—	—	5	15
Sweden	1930	1946	..	..	2	3	..	..	11	12
Finland	1930	1950	68	63	..	..	..	..	32	35
Switzerland	1938	1952	80	74	4	5	5	5	11	16
Western Germany [b]	1933	1953	83 [c]	84 [c]	6	5	8	7	3	4
Italy	1930	1950	96	96	1	1	..	..	2	2
United Kingdom	1938 [d]	1950	60	51	7	9	23	28	11	12
United States	1939	1949 [e]	68	69	9	7	22	23	1	1

Source: The table is based on rough estimates supplied by the secretariat of the International Association of Department Stores.

NOTE. — In the United Kingdom, Sweden and Switzerland some department stores operated by co-operative societies are included in sales by co-operatives.

[a] For co-operatives: Denmark, 1935 and 1948; Norway, 1930; and Sweden, 1936.

[b] Pre-war figures refer to the whole of pre-war Germany.

[c] Including mail-order houses which accounted for 3 per cent of total turnover in 1933 and 4 per cent in 1953.

[d] 1937 for department stores and 1939 for chain stores.

[e] 1952 for department stores and 1951 for chain stores.

reports.[39] In Belgium at the end of 1954 the Government invited the Central Economic Council to report on whether or not legislation against resale price maintenance was called for. No clear conclusion seems as yet to have emerged. In western Germany the anti-cartel legislation, introduced by the occupying authorities shortly after the war, implied a complete prohibition of resale price maintenance but this remained a dead letter. In October 1954 the Advisory Economic Committee of the Federal Ministry of Economic Affairs recommended that resale price maintenance should be tolerated for the time being, though subject to control against misuse, and with a view to a general prohibition after the lapse of some years.

It would hardly be realistic to expect that the abolition of resale price maintenance would have important immediate effects on fostering price competition among ordinary private retail shops; horizontal price agreements are likely to take the place, to a large extent, of the price discipline imposed by manufacturers.[40] More important effects are to be expected from competition between different methods of retail trade which are prepared to compete without being restrained by ties of loyalty. In this way the abolition of resale price maintenance may be an important step towards the rationalization of the structure of retail trade.

Shifts in the structure of retail trade

Table 67 shows that the structure of retail trade has remained remarkably stable over the last twenty years or so. In all western European countries, with the exception of the United Kingdom and Finland, the independent private retailer continues to account for a very large share of total turnover, and the increase in the importance of chain stores in the United Kingdom and the Netherlands, and of co-operatives

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[39] An official committee on resale price maintenance, reporting in 1949, recommended that steps be taken to render illegal any sanctions imposed collectively (but not those imposed by a manufacturer individually) to maintain resale prices (HMSO, Cmd. 7696). This was followed up by a White Paper of June 1951 (HMSO, Cmd. 8274) announcing the intention of the Government to introduce legislation making illegal both the collective and the individual enforcement of resale price maintenance. The subsequent change of government prevented the realization of this intention. In June 1955 the Monopolies and Restrictive Practices Commission recommended the prohibition of collective (but not individual) enforcement of resale price maintenance (HMSO, Cmd. 9504).

[40] A recent investigation of the method of price fixing in 2,400 Swedish retail shops showed that, in spite of the abolition of enforced resale price maintenance, the prices suggested by manufacturers or trade associations were in fact followed in the large majority of cases. The percentage of compliance varied between 75 and 90 per cent for the various groups of commodities. See *Från departement och nämnder*, No. 19, 1955, p. 379.

TABLE 68

Growth of self-service shops

Country	Date of first self-service shop	Number of self-service shops 1953	1955
Great Britain	1942	1 650-1 700	. .
Denmark	1949	80	. .
Norway	1947	300 [a]	. .
Sweden	1947	1 150	2 000
Finland	1950	25-30	. .
Netherlands	1949	120	. .
Belgium	1948	45	. .
France	1948	1 000	. .
Western Germany . .	1948	150	507
Austria	1950	15	. .
Switzerland	1948	250	. .

Sources : Western Germany: *Der Volkswirt*, October 1955; Norway: *Om tiltak til å fremme rasjonalisering og økt produktivitet*, St. meld. 83 (1954), p. 55; Sweden: *Pris och Prestation i Handeln*, SOU 1955:16, Stockholm; other countries: *Cartel*, October 1953.

[a] Beginning of 1954.

in Norway and Switzerland, appear to have been the only important shifts that have taken place between the pre-war years and the years around 1950.

However, the table does not reflect a more recent development which is highly significant from the point of view of saving manpower in retail distribution, namely the emergence of the self-service shops. The increase in their number has been very striking in several countries (as can be seen from Table 68) but it would appear that the potentialities for further development, once the novelty has worn off, depend largely on the possibilities of translating cost advantages into lower prices.[41] A necessary condition for this is the abolition of resale price maintenance.[42]

What has so far been said refers mainly to trade in food and other daily necessaries. In this field there seems to be some prospect of rationalization, if the obstacles to price competition can be removed. Retail trade in durable consumer goods presents different and in many ways more difficult problems.

The tendency is for retail sales of durable consumer goods to spread over a very large number of outlets. Often the retailer is given exclusive rights for the sale of certain brands within a given area and, in return, he undertakes not to sell competing brands. This system seems to be of increasing importance in several countries, and the result is too many shops with too small a range, high margins and very low utilization of the capacity of both the personnel and the premises. From the consumer's point of view the effect is not only high prices, but also a less transparent market. Sales of durable consumer goods make up a rapidly increasing part of total retail sales, and it is therefore a matter of some urgency to reduce the conspicuous waste of manpower in this part of the commercial sector.[43]

The shrinkage of the agricultural labour force

In sharp contrast to developments in the commercial sector, the amount of surplus manpower in agriculture has declined continuously during the post-war years. It is relevant to ask what are the possibilities of further transfers of labour from agriculture.

Two different aspects of the rationalization of agriculture need to be clearly distinguished. One is the question of reduction of hired labour, that is to say, the rationalization which can proceed within the framework of the existing farm structure. The other question is that of " external rationalization "—i.e. the further reduction of manpower which is conditional upon changes in the farm structure itself. This is the problem of the small-scale farm.

Reduction of hired labour

Table 69 shows the decline during 1951 to 1955 in the numbers of hired workers and other people engaged in agriculture. Read in conjunction with Table 70, it gives an idea of the change in agricultural methods that has been taking place. The decline in the number of hired workers is all the more impressive if it is remembered that in most countries it is the continuation of a process which had already been going on for a number of years before 1951.

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[41] A competitive pressure of this kind might serve as an effective incentive for the small independent retailers to reduce costs. This should be possible to a very considerable extent, even within the present size-structure. Particularly promising possibilities are generally believed to exist in the form of voluntary chains for collective purchases by retailers.

[42] ". . . only about 2 per cent of the grocery-type shops in Britain are self-service, even if they are estimated to do 5 per cent of the total trade. One reason why it is not more is that reduction in price would be necessary (and possible) but this is made difficult, if not impossible, by resale price maintenance over a wide range of goods." *The Statist*, 10 September 1955, p. 356.

[43] One recent suggestion towards the solution of the problem is to supplement private retail trade in consumer durables by a kind of public utility, although not endowed with a legal monopoly. The report of the Swedish Commission on Internal Trade, published in 1955, contains a minority statement, by Professor Østlind, which ventilates the idea of establishing, possibly under municipal *régie*, a central retail market in each town of a certain size. This market, or permanent fair, would have a full assortment of consumer durables, and it would have a legal right to be supplied by any manufacturer (or importer) whose brands it wants to have on stock, and a legal duty not to refuse to deal in any brand a manufacturer wants it to carry.

TABLE 69

Population engaged in agriculture

	Population engaged in agriculture in 1954 or 1955		Percentage decline since preceding year					Percentage decline between 1950 and 1955
	Thousands	Percentage of all males aged 15-64 in 1955	1951	1952	1953	1954	1955	
Western Germany								
Males	2 145	14	..	..	..	3	..	15 [a]
of whom: Hired workers	512	3	8	4	2	3	4	25 [a]
Family workers [b]	1 633	11	..	..	..	3	..	12 [a]
Norway								
Males	210	19	2	2	1	3	2	10
of whom: Hired workers	27	2	3	6	3	9	7	25
Family helpers	47	4	4	3	5	7	5	23
Females	86		5	3	4	5	5	20
Sweden								
Males	450*	19	..	..	..	..	..	..
Males and females	500		2	1	1	3	..	9
of whom: Hired and family workers	180*		..	..	..	..	..	14
United Kingdom								
Males	933	6	2	2	2	1	2	9
of whom: Hired and family workers	613	4	3	3	3	3	4	15
Females	119		3	2	5	2	—	11
Denmark								
Males	323	23	1	3	1	1	1	6
of whom: Hired workers	96	9	−1	5	3	2	1	10
Family helpers	38	3	—	5	2	—	5	12
Females	49		2	11	9	2	4	23
Austria								
Males	494 [c]	22	..	3 [d]	3 [d]	..	..	..
of whom: Hired workers	114	5	5	2	−2	3	6	14
Ireland								
Males	421	47	4	2	5	—	..	13
of whom: Hired workers	104	12	9	1	8	−7	..	14
Family helpers [b]	317	35	2	3	3	2	..	12
France								
Males	3 325	24	..	..	..	..	..	7 [e]
Females	1 812		..	..	..	..	..	12 [e]

Sources: National statistics.

NOTE. — The yearly figures for percentage decline refer to the summer period.

[a] Decline between 1949 and 1954.

[b] Including owners and tenants.

[c] Data refer to 1953.

[d] Assuming that the decline of 6 per cent between 1951 and 1953 was regular.

[e] Estimates based on the average annual decline between 1946 and 1954.

The essential reason for this draining away of hired labour from agriculture is the improved employment situation in urban occupations during and after the war. By raising the relative level of agricultural wages, it gave a powerful stimulus to mechanization and apparently, once the ice was broken, the drive towards mechanization in agriculture gained a momentum of its own, largely independent of changes in the availability or price of hired labour. The tables show that over the five years from 1950 to 1955 the number of hired male workers in agriculture declined in many cases by 15 per cent or more, and concurrently with this the numbers of tractors in use increased at an annual rate of 20 to 30 per cent.

The connexion, even in the short run, between employment conditions generally and the rate of decrease of hired labour in agriculture emerges fairly clearly from Table 69. In several cases the process

TABLE 70

Number of tractors used in agriculture

Country	Number of tractors in 1954 or 1955 (Thousands)	Number of tractors per thousand hectares of agricultural land					Annual percentage increase in tractor stock since 1950	Number of men per tractor in 1954 or 1955	Number of farms per tractor in 1954 or 1955
		1939	1950	1953	1954	1955			
United Kingdom [a]	433	4	25	32	34	..	8	2	1
Western Germany	371	4	10	21	26	..	27	6	4
Norway	30	3	11	17	24	29	21	7	6
Sweden [b]	115	4	12	19	22	24	15	4	3
Switzerland	27	7	15	18	20	23	9	12	7
Denmark	58	1	6	13	16	18	25	6	4
Netherlands	42	2	8	13	16	18	18	10	6
Belgium	25	1	6	10	12	14	18	13	10
Finland	38	1	4	8	10	13	27	11	7
Austria	38	0.5	3	8	9	..	32	13	9
France	310	1	4	7	8	9	18	11	9
Italy	125	2	3	5	6	..	19	45	..
Ireland	22 [c]	0.5	3	5	..	..	19	19 [c]	15 [c]
Greece	8	0.2	0.5	0.8	0.8	0.9	12	160	..
Turkey	42	—	0.3	0.7	0.7	0.8	22	100	..
Yugoslavia	9	0.2	0.4	0.6	0.6	0.6	8	340	..
Spain	21	0.2	0.2	0.4	0.5	..	26	230	..

Sources : *Yearbook of Food and Agricultural Statistics*, FAO, information supplied by the ECE/FAO secretariat and figures communicated by the ECE Expert Group on Economic Development of Southern Europe. Figures for the number of farms are from *European Agriculture—A Statement of Problems*, ECE/FAO, Geneva, 1954.

[a] Tractors of 10 h.p. and over.

[b] Including forest tractors.

[c] 1953.

slowed down in 1952 and 1953, only to continue with increased force in the following years of economic upswing. In some countries, among them the United Kingdom, Norway, western Germany and Austria, acute shortages of agricultural labour arose in 1955, and in the two last-named countries the import of foreign agricultural workers was contemplated.

There are obvious limits to the decline of hired labour in agriculture, and the movement can hardly be expected to continue in the coming years at anything like the rate of the past few years. It can also be seen from Table 69 that hired labour in agriculture is now of only minor importance as a source of additional manpower for urban occupations: typically, what remains of hired male workers in agriculture amounts to no more than 3 to 5 per cent of the total number of men in the active age groups.

The farm structure

While the rationalization of agricultural work on larger farms employing hired labour has thus made big strides, the hard core of the problem of surplus labour remains in the form of a farm structure which in most of western Europe is out of line with modern agricultural techniques.

Table 70 gives some idea of the obstacles to technical progress represented by the predominance of small farms. A comparison of the numbers of tractors per unit of land with the numbers of men per tractor suggests that the United Kingdom is the only country where the labour-saving possibilities of the tractor have been fully utilized, the number of active men per tractor being no more than two. In several other countries the number of tractors per unit of land is nearly as high as in the United Kingdom, but the predominance of the small farm is reflected in a far higher number of men per tractor, which suggests a rather low degree of utilization.

Table 71 throws some further light on the potential gains that might be expected to result from a rationalization of the farm structure. According to these data the output per unit of labour input on farms of 30 to 50 ha. would appear in Norway and western Germany to be some 25 per cent higher than on farms of 2 to 10 ha. In Sweden, the difference is even much bigger, and it will be seen that the gap has widened considerably since the immediate post-war years. It must be added that the farms of 2 to 10 ha. account in western European countries for around two-thirds of the total number of farms and around one-third of the agricultural area.

TABLE 71

Indicators of output per unit of labour, by size of farm

Size of farm (hectares)	Sweden		Norway	Western Germany (Schleswig-Holstein)	
	Net income[a] per hour of work *(Index, farms of more than 50 hectares = 100)*			Size of farm (hectares)	Gross output per unit of labour *(Index, farms of 100-200 hectares = 100)*
	1945/46	1951/52	1952/53		
2- 5	64	53	74	9	63
5-10	76	59	76	17	70
10-20	86	70	80	29	83
20-30	105	82	85	100-200	100
30-50	103	95	93	200-400	107
50 and over . . .	100[b]	100[b]	100	400 and over	92

Sources : **Sweden:** *Det mindre jordbrukets möjligheter att uppnå bättre lönsamhet* (The possibilities of increasing the profitability of small-scale agriculture) SOU 1955: 7, p. 60; **Norway:** *Om retningslinjer for utvikling av jordbruket* (Lines of development for agriculture), St. meld. nr. 60 (1955), p. 13. **Western Germany:** Hans Stamer, " Die wirtschaftlichen Auswirkungen der ländlichen Siedlung ", *Kieler Studien*, No. 32, 1955, p. 84.

[a] Net of interest on capital, whether owned or borrowed.

[b] Farms with 50 to 100 hectares.

Powerful institutional and political obstacles stand in the way of a rationalization of the farm structure. There is a widespread belief that it is desirable to have a sizeable group of independent farmers—a belief buttressed by the strong desire of farmers' parties to maintain their electoral support. In those countries—notably Sweden, Norway, Finland and Switzerland—where price support policies for small-scale farmers have been developed, these of course serve to put off the time when it becomes imperative to increase the size of farms. Nevertheless, the need for positive policies is being increasingly felt, but it is only in Sweden and, very recently, in Norway that some steps have actually been taken. These consist essentially in legislation giving the government a right of pre-emption for agricultural land with a view to adding dwarf farms together into more appropriate units. It would seem that such measures can provide for only a very slow process of change in the agrarian structure.[44]

The flight from small farms

What has been said so far might seem to suggest that there is little chance of progress, within a foreseeable future, towards a solution of the problem of the small farm. But this may be too pessimistic a view to take. There are many signs of a fundamental change in the attitude of the younger generations towards the toilsome existence on farms which are too small to permit the economical use of mechanical equipment.

It is highly significant in this respect that, as seen in Table 69, the relative decline in the number of male family helpers has been almost as marked as that of hired labour. This group includes, of course, sons who in the normal course of events would have been expected to take over the farm. The tendency to refuse hard farm-work is even more pronounced among women. It was seen in an earlier part of this chapter that already by 1950 the numbers of active women in agriculture had declined drastically. Table 69 shows that in several countries this tendency has continued; and when no young women can be hired for work in the farm household the position for the farmer's wife, even on a middle-sized farm, becomes difficult. The result can be seen in a dramatic form in some districts in France where, in the villages, there are four or five young men to each woman of marriageable age. In such conditions the tendency of the men to leave agriculture cannot help being further accentuated.

Unfortunately, statistics are not yet available to show whether or not these tendencies have already produced some change in the farm structure, through the abandonment or combining of very small farm units, during the five years since general agricultural censuses were last taken. But in any case there is sufficient, though scattered, information from several countries to suggest that it is doubtful whether there will continue to be a sufficient number of young farmers able and willing to take over those farms which are too small for rational agriculture.[45]

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[44] The Swedish programme of " external rationalization ", started in 1948, envisaged the transformation, over a period of 25 to 30 years, of the majority of the 200,000 farms of 2 to 10 ha. into larger units. The actual annual decline from 1944 to 1951 in the number of farms within this group was only slightly more than 1 per cent.

The problem of adapting the farm structure in western European countries to the requirements of modern agricultural methods may thus prove, in the somewhat longer run, to be less intractable than has often been thought. If the supply of vacant small-scale farms tends to outrun the demand from prospective holders, this would seem to provide a unique opportunity for policies to facilitate the development of a more desirable farm structure. This would probably require flexible policies governing the purchase and lease of land and, as a corollary, policies of industrial location aiming at a smooth transfer of labour released from agriculture.[46] The obvious pre-condition for such a development to be possible and, indeed, desirable is that a high level of employment outside agriculture be maintained.

Obstacles to the industrialization of building

The building industry is another important sector in which special institutional factors have made productivity lag far behind the standard made possible by recent technical progress. As in the case of agriculture and retail trade, the problem can largely be seen as that of the persistence of a size of enterprise too small for the application of modern methods. The lack of progress in building productivity is all the more striking in view of the shortage of skilled building workers in the post-war years and the active interest shown by governments in promoting the construction of dwellings.

Only scattered information is available on the development of productivity in the building industry as compared with the period before the war, but it seems clear enough that the increase, if any, has nowhere been considerable. In the United Kingdom, for example, building productivity in 1954 was estimated to be still some 4 per cent below the level of 1939. For the building of dwellings in Stockholm it has been estimated that around 1950 output per man-hour was no higher than in the middle 'thirties. In the last few years, considerable improvement seems to have taken place, notably in Sweden, western Germany and Switzerland, owing largely to the increased use of mechanical equipment, but on the whole this is no more than a beginning.[47]

Several reasons can be adduced to explain why, as it seems, modern methods of production have so slowly and incompletely permeated the building industry, or, in other words, why it has been possible for the small-scale enterprise to survive. Not only is the building industry safe against foreign competition, but, throughout the post-war years, marked by shortages of materials and skilled labour and by government policies aimed at full utilization of the available resources, the building industry has enjoyed handsome profits, and the lowering of costs has in no way appeared as a condition of survival for the individual building firm. This is not to say that there had been much incentive for technical progress in the inter-war period of highly fluctuating employment in the building industry: the insecurity of demand at that time tended to discourage investment in the building industry, and the fear of unemployment naturally made for strong workers' resistance against rationalization.

It is perhaps not so illogical as might appear that both the insecurity of unemployment and the security of full employment should prove inimical to technical progress in an industry which is imbued with craft traditions, scattered in very small units and yet held together by a network of monopolistic agreements, among which the control of tenders has a prominent place.

Restrictive practices

If, on the one hand, it is understandable that the continuously high level of employment has had no major effect in stimulating the employers in the building industry to rationalize, it could be expected, on the other, that full employment would lessen, if not completely eliminate, the restrictive practices of trade unions and workers. These practices have traditionally found their favourite field of application within the building industries, the most important examples being the strict reservation of certain operations for specific categories of skilled workers, prohibition against the use of prefabricated parts, bans on overtime and on piece-rates and " merit money ", apprenticeship rules and rules concerning the minimum manning of machines.

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[45] A recent French inquiry showed that nearly 50 per cent of the farmers with more than 30 ha. considered the succession by one of their sons as assured. For farms with less than 10 ha. the corresponding figure was below 30 per cent. In Sweden, it is held that the tendency to mechanize even very small farms where mechanization is plainly uneconomical is partly explicable as a means of persuading the young people to remain on the farm. In western Germany, there is a clear tendency towards aging of the male farm population, and the claim of farmers' sons to be paid an ordinary wage is another indication of a change in attitudes. In Austria, the urge to mechanize, in order to keep the young on the farm, is reported to have given new impetus to the consolidation of fragmented farms. In Norway, it is reported that the farmer and his wife are often left alone on the farm with no son to take over in due course.

Of course, this does not apply to the countries of southern Europe. Another important exception is the Netherlands, where the situation is one of population pressure in agriculture. In some parts of the country the number of boys aged 15 or under in agricultural families is 20 or more per 100 ha. of arable land. The comparable figure in most parts of France is less than 7, in Denmark somewhere between 4 and 5. See W. Steigenga, *Industrialization—Emigration, the Consequences of the Demographic Development in the Netherlands*, The Hague, 1955.

[46] These problems were discussed in more detail in *European Agriculture—A Statement of Problems*, ECE/FAO, Geneva, 1954, Chapter 3, and in the SURVEY for 1954, Chapter 6.

[47] One indication of the potentialities of raising productivity even in traditional construction is the wide variation in man-hours spent on identical houses. In the United Kingdom, a post-war investigation on man-hours used on site in building a three-bedroom house of traditional construction showed a frequent variation of 40 per cent above and 40 per cent below the average. (See *Productivity in House-building, Second Report*, National Building Studies, Special Report No. 21, HMSO, 1953.)

The advent of full employment has, in fact, had important effects in attenuating these practices. A conspicuous example is the " dilution " agreements[48] concluded in the United Kingdom since 1940. Originally, assurance was given to the trade unions that this would be regarded as only a temporary war-time measure, but the agreements have since been prolonged, although the " dilutees " continue to be subject to the rule of " last in first out ". In Denmark, however, the demarcation of work reserved for the different categories of building workers continues to be extremely rigid. In Norway, no change has taken place in the system of reserved work, but the shortage of skilled workers has been much attenuated by the possibilities of the semi-skilled, with a certain seniority, being accepted as a skilled worker without previous apprenticeship. A far more important obstacle in Norway is the legal monopoly, unique it seems in Europe, given to masters in the building crafts.[49]

Although the restrictive practices have been attenuated in some cases it still remains true that the whole system of sharply separated building crafts makes for a conservative attitude towards new methods of building and is a hindrance to the rational planning of work on the building site. It is a frequent experience that even where building is undertaken on a large scale, with several hundred dwellings being built under a single contract, it has not been possible to get beyond the traditional arrangement of the work processes and to take advantage of the latent possibilities of large-scale production.

Form of wage payments

The change in workers' attitude to productivity when employment is secure is further illustrated by the acceptance by the British building workers of the system of piece-rate payment, which before the war used to be strongly resisted. While the piece-rate system is in general likely to stimulate efficiency, it also has its drawbacks. It often hinders the shiftability of workers on the site,[50] and it may also lessen the employer's interest in the efficiency of the worker.[51] More important, the system of piece-rates may reduce the incentive for technical innovations: there is a tendency, when piece-rates have to be fixed for new procedures, to fix them in such a way that the wage-cost per unit of output, rather than per unit of working-time required, remains unchanged. This may be a very important deterrent to the introduction of new methods, and once an unrealistic piece-rate has been fixed, there is likely to be much resistance against correcting it, especially in a period when the general wage-level is fairly stable so that the correction would involve an absolute decline in the piece-rate for the new procedure.[52] Both in Sweden (1941) and in Norway (1953) it has been suggested that there be created a permanent council, under the auspices of the central workers' and employers' organizations, to supervise the fixing of piece-rates in the building industry. So far, however, no steps in this direction seem to have been taken.

The need for special initiatives for rationalization

It has been mentioned that, with active housing policies being pursued by most governments, the position of the building industries is, in a sense, too secure, so that there is insufficient incentive to utilize fully the possibilities for rationalization. It would seem natural, therefore, for governments to frame their policies with regard to building—be it licensing,

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[48] " Dilution " is the accepted term for the opening of hitherto reserved work to unskilled or semi-skilled workers.

[49] This is a monopoly for each single craft, comparable to that existing, for reasons of safety, with regard to electrical installations in other countries. A revision of the law is being contemplated expressly in order to promote rationalization in the building industry.

[50] See V. L. Allen, "Incentives in the Building Industry", *The Economic Journal*, September 1952. The author, himself a former bricklayer, concludes that the successful application of piece-rates largely depends on the introduction of modern methods of " batch-production " in building.

[51] This disadvantage may be avoided by systems of mixed time- and piece-rates.

[52] An example may show how slow the process of adjustment can be. In Stockholm, the piece-rate per square metre of light concrete wall was in 1934 put at almost exactly the same price as for an ordinary brick wall, although the working time ordinarily required for the light concrete wall is no more than from 35 to 60 per cent of that used for the brick wall. Since then, the piece-rates have only slowly and very partially been adjusted to reflect this relationship:

	Brick wall	*Light concrete wall*	*Relationship brick wall = 100*
	Piece-rate in kr. per m^2		
1934	1.66	1.70	102
1941	2.04	1.87	92
1947	2.21	1.93	87
1951	2.83	2.25	80

Source : Mejse Jacobsson, *Rationaliseringsmöjligheter vid bostadsproduktion* (Possibilities of Rationalization in the Production of Dwellings), 1952 (roneoed).

subsidies, loans or building on account of public authorities—in such a way as to provide the necessary incentive for modernization of the building industry.

This would require a change in the system of public loans and subsidies in several countries. For instance, in the United Kingdom, the Netherlands and Italy public funds at favourable terms are granted in proportion to actual costs and cover a large share of the total. This system is likely to reduce the builder's interest in lowering costs. Subsidies and public loans granted according to certain fixed amounts per dwelling or per unit of floor space would at least avoid this undesirable effect. Such systems have been used to some extent in several countries, including Norway and western Germany. A ceiling for the costs of subsidized dwellings and control of costs by the authorities, as has been tried in France in the last few years, may also act as an incentive to cost reduction.[53] The modernization of building methods could also be promoted by giving higher subsidies or loans up to a higher percentage to those who use new methods.[54] Finally, the building industry would seem to be a field where officially sponsored publicity could be particularly effective.[55]

* * *

The preceding survey of problems of rationalization in the low-productivity sectors has shown that some form of government support is the rule. It may take the form of support prices or duties to protect small-scale agriculture, cheap loans to make new dwellings accessible in spite of high costs or—a more indirect support—lenient tax treatment, for instance, of small-scale retail trade. It is important to note that these support measures are most often framed in such a way as to make it possible for the inefficient firms to survive without change in methods.

To be sure, the opposite method of promoting rationalization through mass bankruptcy is undesirable and unacceptable under modern conditions. But it should be possible to develop policies which avoid both extremes. What is needed, it would seem, is a clearer distinction between the desirable aim of defending the owners of small-scale enterprises against hardship and the undesirable one of permanently providing subsidies, either direct or indirect, to their enterprises. This is, of course, no easy distinction in practice. One way would be to discriminate, in the support policy, in favour of those who show initiative for improving productivity. Another method which may often be possible is to induce, or even compel, the inefficient firms to close down against the payment of an appropriate compensation. Under conditions of full employment, when alternative and more productive jobs are available, the cost of such compensations might in the longer run prove to be small compared with the community's gain from structural rationalization.

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[53] " Slowly but steadily the French building industry opens its windows to progress... The progressive reduction of the price ceilings imposed for loans from the *Crédit foncier* seems to have played a major role. Many builders who formerly thought it was not possible to build at less than 2 million francs per dwelling have lowered their prices, reduced their margins, improved their methods." (*Le Monde*, 20 September 1955.)

[54] This was recently proposed in Belgium together with a suggestion to create a technical centre which would screen all building plans for which a public loan is asked. See *Le Progrès social*, No. 43, March 1955.

[55] " Costs can be reduced if ... the number of firms in the industry is ruthlessly reduced by the frequent publication of cost figures etc., making it impossible for high-cost firms to survive... " (Ian Bowen, " The Case for Rationalization of the Building Industry ", *The Manchester School of Economic and Social Studies*, No. 2, 1951).

5. UNEMPLOYMENT AND LABOUR MOBILITY

Post-war experience, especially in the United Kingdom, Norway, Sweden and Switzerland, has led to a revision of opinions about the maximum of registered unemployment that can reasonably be considered compatible with the concept of full employment. Likewise, during the recent years of expanding employment in western Germany, statements to the effect that unemployment had now reached its incompressible minimum have regularly been proved wrong by subsequent events.

The minimum of frictional unemployment with which an economy can live without serious disorganization in the labour market depends on the degree of mobility and flexibility of the labour force, geographically and among industries, professions and firms. Three aspects of this question are dealt with in this section—seasonal unemployment, local pockets of unemployment, and vocational training. The role of wage differentials in relation to labour mobility will be taken up in a later section, in connection with the broader problem of wage policy under full employment.

Seasonal unemployment

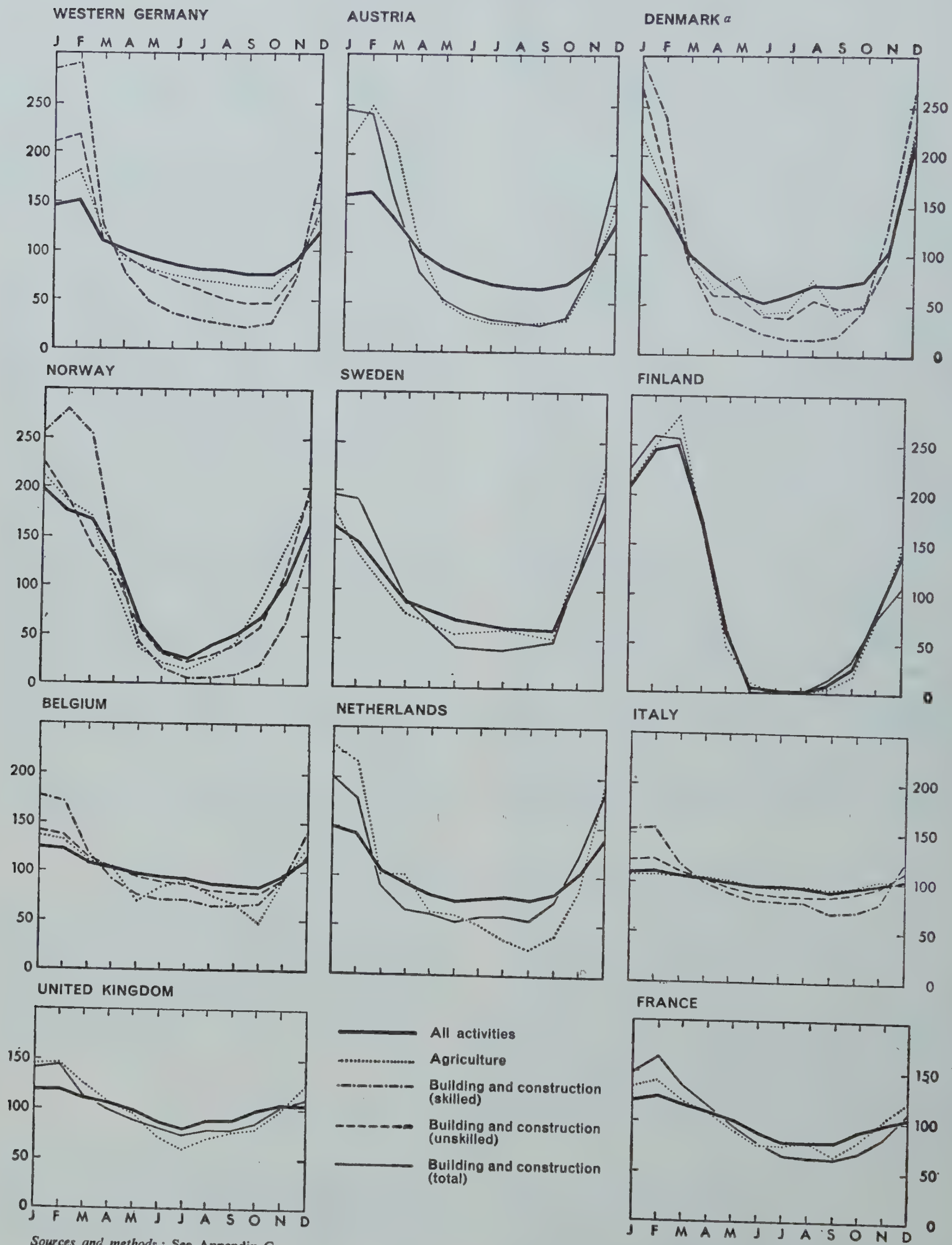
The size of the problem

The extent to which unemployment in western European countries continues to vary with the season can be seen from Chart 10. On the basis of experience over the years 1951 to 1954, unemployment each month has been expressed as a percentage of the annual

CHART 10

Seasonal pattern of unemployment in western Europe

Average unemployment 1951-54=100



Sources and methods : See Appendix C.

a Building does not cover civil engineering.

TABLE 72

Relative importance of work lost by seasonal unemployment in the period 1951 to 1954

Countries	Difference between annual averages and the seasonal low of unemployment				Annual average of man-years lost owing to seasonal unemployment			
	Percentage of wage and salary earners				*Thousands*	*Percentage distribution of total loss through seasonal unemployment*		
	Agriculture	Building	All other activities	Total	Total	Agriculture	Building	All other activities
Austria [a]	1.9	13.1	1.4	2.6	58	7	52	41
Western Germany	3.3	9.1	1.2	2.0	341	10	40	50
Denmark [b]	2.0	11.9	1.2	1.8	32	12	42	46
Belgium	11.3	3.3	0.9	1.3	29	21	24	55
Finland	1.1	2.3 [c]	1.2	1.3	16	13	19 [c]	68
Norway	1.2	3.6	0.5	1.0	10	10	50	40
Netherlands	4.0	3.3	0.4	0.8	23	30	30	40
France [d]	0.2	0.3	0.3	0.3	35	..	..	..
Sweden	0.4	2.7	0.2	0.3	12	..	..	..
Great Britain	0.3	0.6	0.2	0.3	52	..	..	..

Sources and Methods : See Appendix C.

[a] Unemployment data refer to applicants for work.

[b] Based upon data for 1953 and 1954 only.

[c] Does not cover workers in civil engineering.

[d] Unemployment data refer to unsatisfied applications for work.

average for all workers and for some important categories of workers.[57] It must be stressed that the chart shows only the amplitude of the seasonal swings. In order to measure the importance of these swings, in terms of work lost, the general level of unemployment must be taken into account. This has been done in Table 72, where the relative importance of seasonal unemployment is shown. The method chosen was to compare the actual annual average of unemployment with the situation that would have existed had unemployment throughout the year been at the level of the most favourable month.

It appears from the chart that there are seven countries (the four northern countries, the Netherlands, western Germany and Austria) where unemployment continues to show a marked seasonal swing, but a comparison with Table 72 shows that the importance of seasonal unemployment in terms of work lost varies considerably among these countries. It is high in western Germany, Austria and Denmark; in Sweden, it seems to have been almost eliminated; and in Norway, Finland and the Netherlands it is of very limited importance.[58]

In comparison with the countries just mentioned, the amplitude of the seasonal swing appears to be moderate in Belgium, but since the general level of unemployment is high, the quantitative importance of seasonal unemployment—as here defined—is not negligible.

Finally, in the United Kingdom, France and Italy, unemployment shows no marked seasonal variations; however, it is doubtful whether registered unemployment in the two latter countries truly reflects the seasonal pattern even of urban unemployment. Rural unemployment—and under-employment—is very largely determined by seasonal factors, but it is only to a minor extent that it shows up in registered unemployment.

Apart from agriculture, seasonal unemployment is highly concentrated in the building industry. In all the countries shown in the chart the amplitude of the seasonal swing is greater for the building industry than for the average. A curious thing, which calls for an explanation, is that even among the countries with a very low average unemployment, there are wide differences in the degree to which the problem of seasonality in building has been solved.

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[57] In other words the charts show seasonal indices of unemployment obtained by the method of moving averages from data covering the years 1951 to 1954.

[58] Owing to differences in the unemployment registration coverage the figures in Table 72 tend to over-state somewhat the magnitude of seasonal unemployment in Belgium and Denmark as compared with Sweden, but correction for this factor would not substantially change the picture. For a comparative analysis of seasonal unemployment in Denmark, Norway, Sweden and the United Kingdom, see *Beskaeftigelsens Saesonsvingninger* (Seasonal Variations of Employment), published by the Danish Labour Market Commission, 1953, pp. 118 ff.

Policies against seasonal unemployment

It was logical, in a way, that little attention was given before the war to the problem of combating seasonal unemployment. Indeed, when unemployment generally is high, seasonal swings may even be welcomed as contributing to a somewhat more even distribution of the burden of unemployment. In any case, the question is unlikely to be seriously considered before there is otherwise full or nearly full utilization of the labour force, so that the seasonal slack appears as an avoidable waste of resources.

It is mainly in Norway and Sweden that policies for reducing seasonal unemployment have been developed. In the United Kingdom, special policies to deal with seasonal unemployment have on the whole not appeared to be necessary,[59] and in Denmark the figures in Table 72 show clearly enough that little has been achieved. In Finland, Austria and western Germany, it is only quite recently that the question has come up for discussion.

There are two main ways of combating seasonal unemployment: first, by measures to facilitate the seasonal transfer of workers between industries with complementary seasonal patterns; and second (probably the more important where climatic and other natural factors are not at the root of the matter) by encouraging or enabling seasonal industries to maintain a more even rate of activity throughout the year. There is, of course, also the less constructive method of providing relief work for the seasonally unemployed.

Promotion of seasonal mobility

Climatic conditions are of particular importance for the seasonal pattern of employment in Norway, Sweden and Finland. It is fortunate, however, that the seasonal peaks and troughs are largely complementary: forestry has its peak season in winter, simultaneously with the most slack period for agriculture, building and civil engineering. Much can be achieved, therefore, by facilitating the transfer of workers among these occupations. Local employment services in Norway and Sweden have been efficiently organized to take care of this, and there is a regular movement in the winter of building workers, and to some extent agricultural workers, into lumbering and other forestry work, and, in Norway, into the fish packing and canning industry which also has its peak season in winter. There is a similar movement in Belgium, where construction workers go into the mines in winter.

The methods employed to facilitate these movements are, on the one hand, travel allowances and grants for extra lodging expenses,[60] and, on the other, measures to facilitate the training for an additional occupation of workers in typically seasonal industries.

Stabilization of seasonal industries

Seasonal variations in manufacturing industries are generally limited to three branches: building materials, the processing of perishable foods, and textiles. In the first case, the seasonal variation is largely a reflection of the variation in building activity, and its elimination would appear to depend mainly on the stabilization of building work.[61] In food processing a smoother flow of production may sometimes be obtained by diversification.[62] In the textile industries the seasonality shows up in the working of short hours rather than in outright unemployment. The system of working shorter hours in off-season or of spreading the burden of unemployment through rotation arrangements may be a convenient, and costless, method for an industry to keep a fringe of labour at its disposal, ready to meet any seasonal or cyclical rush. But in times of otherwise full employment it clearly represents a waste of manpower.

The possibilities of smoothing out the seasonal variations in agriculture are limited. In the building industry, however, it would seem that there are no good technical reasons why seasonal variations should be as pronounced as they actually are. The very fact that some countries—notably the United Kingdom and Sweden—have largely solved this problem, while others, among them Denmark, Austria and western Germany, have not, seems to be sufficient evidence that the problem of seasonal variations in building is one of institutional rather than natural barriers.

One method of reducing seasonal unemployment of building workers is to concentrate public building and construction works in the winter season. Steps in this direction have been taken very recently in several countries. In Finland, it was decided to reserve for the winter a fairly important part of public building which would normally have been undertaken in the summer of 1955. In Austria and western Germany, where the now remaining unemployment is largely seasonal, the governments have been severely criticized for not concentrating public works in the winter months. In the summer of 1955, the Austrian Government decided to postpone until the winter 20 per cent of public building projects.[63] In Norway, the regulations for central government contributions to special municipal works were changed in 1955 with a view to combating winter unemployment.

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[59] In the inter-war period, too, seasonal unemployment was relatively unimportant in the United Kingdom.

[60] Similar travel grants are paid in the United Kingdom. The travel allowances paid in the Netherlands concern mainly non-seasonal labour, since it is an explicit condition of payment that the move should, in principle, be permanent.

[61] It has been suggested in western Germany (by the Deutsches Institut für Wirtschaftsforschung) that public authorities should purchase building materials during the winter and carry the costs of extra storage.

[62] For instance, fish-canning factories in western Norway have been able to maintain activity in the quiet season by canning fruit and vegetables.

Winter building

Another line of attack is to promote the continuance throughout the year of ordinary private building activity. In those countries where building is subject to licensing, as part of a system of investment control, this can be effectively used to avoid excessive pressure in the summer, as well as to keep up activity in the winter months,[64] and the seasonal pattern of building activity can be influenced also by co-operation between employment authorities and government agencies in charge of the granting of building loans.[65] Otherwise, the question is largely one of encouraging winter building through expert advice and special campaigns.

Experience seems to show that the additional cost of winter building is unimportant. In Sweden, the extra costs—which are covered by government subsidies—are estimated to be somewhere between 3 and 5 per cent. In the United Kingdom, it is normal for building activity to continue unaffected by the winter weather, although no subsidy is paid. The high level of employment in Sweden and the United Kingdom has undoubtedly been an effective incentive to overcome the difficulties of carrying on in the winter months. In particular, building firms have been reluctant to lay off skilled workers in the late autumn, knowing that spring was not far away, when there might be no workers to recruit.

This motive has been largely absent in Denmark, Austria and western Germany, and this may help to explain the sharp contrast with Sweden and the United Kingdom. The Danish authorities have in recent years made some propaganda and arranged experiments to persuade building enterprises to carry on throughout the winter months, but so far with very meagre results. The trade unions in the building industry have shown little interest in the matter. The habit of being idle in the winter months is part of the age-old folklore of both employers and workers in the building crafts, and the loss in annual earnings is compensated by a traditional differential in hourly earnings as compared with other skilled workers. More recently, the policy of holding back on total building activity has further reduced the interest in winter building in Denmark.

In other countries with considerable seasonal unemployment, some initiatives have recently been taken to promote all-year building.[66]

Peak-load employment

So far, the discussion has been concerned mainly with the question of seasonality in industries which have a particularly slack season. The converse phenomenon of a special peak-load period at a certain time of the year gives rise to somewhat different problems. The main examples are the harvesting season in agriculture and the seasonal peak in the tourist industries. Such a heavy concentration of demand for labour in a short season is particularly awkward if it implies, as it often does, that the manpower required has to be kept unemployed, or under-employed, during the rest of the year.

Under sustained full employment recruitment to such short-term seasonal work naturally becomes difficult; at the same time, however, the very fact that jobs are plentiful makes it possible to arrange for a solution which would be impossible—and have anti-social effects—under conditions where opportunities for work are scarce and therefore guarded with jealousy by those who can claim a right to them. This solution is to take in for jobs of short duration, often during summer holidays, people not normally in the labour force, such as students, school-children and soldiers.

This method of dealing with the question of peak employment has become increasingly frequent in the United Kingdom, Norway and Sweden. In the two last-named countries, labour exchanges assist in finding

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[63] Another suggestion for facilitating a more desirable seasonal distribution of public works in Austria was to introduce more flexibility in the budgetary system by enabling public bodies to spend unused appropriations after the end of the budget year.

[64] Building licensing continues in force in Norway and, to a certain extent, in Sweden where control over house-building is retained explicitly with a view to securing continuous employment. Licensing was re-introduced in the Netherlands in the summer of 1955 as far as industrial buildings are concerned and tightened for other buildings except dwellings.

[65] On the other hand, there have been frequent complaints in western Germany that the start of the building season in early spring was delayed by technical deficiencies in the system of building finance.

[66] In Belgium, the Productivity Centre is organizing information conferences on methods for all-the-year-round building, and in the autumn of 1955 the Dutch Government decided to subsidize the experimental construction of 544 dwellings during the winter 1955/56. In Norway, recent efforts have been directed mainly towards enabling small and medium building-firms, through joint planning, to reduce the extra costs of winter building. In western Germany, the 11-point government declaration on economic policy of October 1955 mentioned plans to extend the building season from 9 to 11 months.

TABLE 73

Unemployment in selected regions of Western European countries

Country and region	Percentage of unemployment				Share of each region in total population	Share of each region in total unemployment in 1955	
	Feb. 1951	Sept. 1951	Feb. 1955	Sept. 1955		Feb.	Sept.
United Kingdom	1.5	1.0	1.5	1.0	100	100	100
Midlands	0.5	0.5	0.5	0.5	9	3	4
Northern Ireland	6.5	5.0	7.5	5.5	3	12	12
Norway	2.5	0.5	2.5	0.5	100	100	100
Akershus	1.0	0.0	0.5	0.0	6	1	1
Troms	11.5	1.0	10.5	1.5	4	12	8
Netherlands [a]	3.5	2.5	3.5	1.0	100	100	100
Limburg	1.5	2.0	1.5	0.5	7	3	5
Groeningen and Friesland	6.0	2.5	6.5	1.0	9	21	14
Denmark	14.5	6.0	17.0	6.0	100	100	100
Greater Copenhagen	8.0	6.0	8.0	4.5	23	17	28
North Jutland	31.0	8.5	30.5	8.0	11	16	13
Belgium	13.5	10.5 [b]	15.0	6.0 [b]	100	100	100 [b]
Liège	5.5	4.0 [b]	8.0	3.5 [b]	11	7	7 [b]
West Flanders	23.0	16.5 [b]	28.0	11.5 [b]	12	18	18 [b]
Western Germany	10.5	7.5	10.0	2.5	100	100	100
Baden-Württemberg	4.0	3.0	5.5	1.0	13	8	5
Schleswig-Holstein	26.5	20.0	18.0	7.5	5	8	12

Sources: See Appendix C.

NOTE. — Owing to differences in definitions, the unemployment percentages shown in this table are not strictly comparable between countries, nor are the country totals directly comparable with those shown in Table 1.

[a] The figures cover men only.

[b] The figures refer to the month of July.

farm work for school-children and students during the summer holidays, and in Norway, the urban as well as the rural schools are free to grant one or two weeks leave for individual pupils or whole classes, when the need for harvesting labour makes it desirable. In the three countries mentioned, and especially in the United Kingdom, labour exchanges also assist in employing students for holiday work in manufacturing industries.

It is no small advantage of full employment that it makes it possible—and acceptable for trade unions—to mobilize such extraordinary reserves of manpower, whose work has a low, if not negative, disutility, while its usefulness may be considerable because it serves to avoid costly closing-downs or transfers within the normal labour force.

Regional pockets of unemployment

If unemployment had really been reduced to the bare minimum of frictional unemployment, its distribution by geographical, occupational, industrial or personal criteria would be expected to reveal no important and persistent concentrations of unemployment in special regions or categories of workers.

No western European country can fully pass this test of the absence of structural unemployment. Even in those countries where the over-all percentage of unemployment is extremely low, regions or districts are found where unemployment remains at a rather high level year after year and even in the best season.

Some information on regional unemployment has been brought together in Table 73. The table is selective and illustrative and shows for each country one district with particularly low and one with particularly high unemployment. Owing to the lack of suitable break-downs in unemployment statistics, it has not been possible to list all the " problem districts " or to show in a precise and comparable way the quantitative importance of regional unemployment in the different countries. Except in the Scandinavian countries, where unemployment is heavily concentrated in the northernmost regions, the problem areas are often found within small districts not specified in unemployment statistics. In some cases, comparatively large regions had to be chosen which include also localities where the employment situation is on the whole satisfactory, so that the figures in the table sometimes under-state the degree of concentration of regional unemployment. It must also be noted that the table provides only one criterion—that of registered unemployment—for the existence of regional problems. Though economic backwardness or depression in certain regions would normally show up in relatively high unemployment figures, this is not invariably so.

Two main types of regional unemployment should be distinguished. In some cases the high level of unemployment is due to the fact that the old-established industries in a particular region are in structural decline and new ones have not been started. Examples of this are Northern Ireland, western Flanders and the Vosges district in France with stagnating or declining textile industries. In these regions the unemployed are often skilled workers, but in kinds of work for which the demand is low.

The other type of region where there is unemployment is that in which the process of industrialization has been lagging behind, and where, with stagnating or declining manpower requirements in agriculture and other primary industries, employment opportunities cannot be found for a population whose natural rate of growth is often higher than the national average. Examples of this are to be found in the northernmost parts of the three Scandinavian countries, in northern Jutland, in south-west France, in some eastern districts in the Netherlands and in Schleswig-Holstein (where the problem has been considerably worsened by the influx of refugees).[67]

It appears from the table that the employment situation in the depressed or backward regions has changed little over the past four years, except in western Germany, where unemployment in the overcrowded regions has decreased at the same rate as for the country as a whole. Another fact suggested by the table is that seasonal variations in employment tend to be particularly pronounced in these problem areas; this is not surprising in view of the fact that primary production is often relatively important. Indeed, in Norway, Sweden and Finland, regional unemployment is very largely seasonal in character. In certain districts of northern Finland, as many as 40 per cent of males aged 15 to 64 were unemployed in early 1954 as against less than 5 per cent for the whole of Finland. The seasonal character of unemployment is marked in the Netherlands also. Whereas for the country as a whole unemployment is normally about three times as high in winter as in summer; in some of the "development districts" the ratio is nearly as high as 10 to 1.

In all countries, some steps have been taken to increase the geographical mobility of labour, usually in the form of allowances for travel costs and for extra costs incurred by workers who have to live away from their homes. These measures have been particularly highly developed in the Scandinavian countries, where the location of the unemployment regions often makes for long and costly travel. In western Germany, financial aid has been provided in the various resettlement programmes set up to facilitate the integration of the refugees into the economy. In Belgium and the Netherlands, similar measures have only recently become important as a means of reducing the barriers to geographical mobility.

There are, however, rather narrow limits to what can be achieved solely by measures designed to reduce or wholly remove the costs incurred by workers who move away from the economically backward or depressed regions. Western Germany is a somewhat special case in this respect, since what might be called the subjective mobility of the refugee was very high, so that the removal of the direct financial barriers was likely to have a considerable effect. The situation is very different in most other regions with a high level of chronic localized unemployment and under-employment. Much of the labour in these regions, including small farmers, fishermen and others, is tied to the region by strong traditions, family considerations and property, and the cost of travel is not likely to be a major consideration in deciding whether or not to move away. Moreover—and this is a highly important point—the elimination of regional unemployment typically implies a change of occupation—i.e., the acquisition of new skills, regardless of whether the employment opportunities are created within the area itself or outside.

As the cost of re-training is thus involved in any case, it is pertinent to ask whether the problem of regional unemployment might not as well, or better, be solved by the creation of new industries in the regions concerned.[68] This would involve a considerable saving in terms of dwellings and social capital. The housing shortage has often been blamed as a major hindrance to the geographical mobility of labour and thereby to increases in productivity, and there is much truth in this view. It is only fair to add, however, that, being so largely concentrated in the highly industrialized and prosperous areas, the housing shortage has served as an effective brake on movements from the regions of unemployment to the already highly congested areas. This may have contributed to making industrialists more aware of the possibilities of stimulating activity in the unemployment regions themselves.

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[67] The grave unemployment problem of West Berlin is *sui generis*, since it arises from economic isolation due to political divisions.

[68] This question is more fully discussed in the SURVEY for 1954, Chapter 6.

The choice between these two methods of removing regional unemployment—by promoting labour movements out of the region, or by attracting capital and enterprise to it—involves many other considerations and the answer will depend on the circumstances in each separate case.[69] At the present time, the question is being posed with particular acuteness in France, and demands for detailed studies of regional development conditions are becoming more frequent. Thus, the *Rapport sur les comptes de la nation*, published in November 1955, complains of the lack of foresight in planning and adds "... in the regions where surpluses of manpower appear—of agricultural origin or laid off by the textile industry—the choice of new industrial activities which might absorb the surpluses lacks any serious basis ".[70]

Policies of vocational training

In most western European countries, the facilities for vocational training and guidance fall far short of increasing requirements, both from a quantitative and from a qualitative point of view. The deficiencies are being realized more and more, and in several countries the question of enlarging and improving the existing systems has come to the fore in the last few years. There are a number of reasons for this.

It has been seen that, even in those countries where the employment situation can generally be characterized as one of full employment, pockets of unemployment continue to exist which largely reflect a geographical or an occupational maldistribution of the labour force, and it has also been mentioned that in a number of countries there has tended throughout the post-war years to be a more or less chronic shortage of skilled workers for the rapidly expanding industries. Correction of these deficiencies in the labour markets depends to a large extent upon the provision of improved facilities for training and especially retraining.

An important reason why training systems have tended to lag behind is the acceleration of the process of technical change as compared with the inter-war years. New materials and new methods continuously make old skills obsolete and create new technical standards for skilled workers, especially in all the expanding branches of engineering and electrical engineering. From this follows the need, not only for an extension of training facilities, but also for a modernization of the system of vocational training itself, with more emphasis on technical schools and on training in industrial enterprises of a certain size rather than in the handicraft workshop.

It has also been seen that with full employment it becomes possible and desirable to bring into the labour force persons normally inactive but fit and willing to work, such as many married women and elderly people. In order to do this, new and more flexible methods of training and re-training are necessary.

The need for modernization of the systems of vocational training varies widely from one country to the other. Very broadly, a distinction may be made between those countries which continue to rely heavily on the traditional craft system of apprenticeship—i.e., western Germany, to some extent the United Kingdom, and, in particular, Austria and Denmark. In other countries, the training of skilled workers largely takes the form of " in-plant " training in industrial enterprises and instruction in public or semi-public schools. Sweden appears to be the country where this more modern system of training is most highly developed.

The rapid changes in industrial techniques and the consequent need for flexibility in the occupational structure throw into relief the disadvantages of the classical system of apprenticeship. Being a relic from pre-industrial times, it is tainted with traditionalism and restrictive features. Age limits often restrict participation in it to very young persons; the period of apprenticeship prescribed is often unnecessarily long, and many of the training functions imposed are long outmoded and of little value in preparing workers for skilled occupations in modern industry.[71] Moreover, the system tends to produce a very sharp line of demarcation between the status of skilled and unskilled workers, the counterpart of which is the difficulty of promotion during adult life, and resistance to " dilution " in times of shortages of specific kinds of skilled workers. Rigidities of this kind are found in all western European countries but are most pronounced, probably, in Denmark,[72] and least perhaps in Sweden.

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[69] One of the questions involved is that of regional wage differentials which will be briefly discussed in a later section.

[70] Volume I, *Rapport et comptes 1949-55*, p. 58.

[71] In France, for instance, fully trained skilled workers in the clothing, leather and wood-working industries are reported to have required re-training before they could fill jobs, and even training schemes for skilled mechanics are reported to be subject to very old routines. (See " Rapport général de la Commission de la main-d'œuvre du Commissariat général du plan ", *Revue française du travail*, No. 3, 1954.)

Training the big generations

These various factors might, however, have been of little avail in stimulating fresh thinking in matters of vocational training, had there not been the additional challenge of the large generations, born during and after the war and due to arrive on the labour market during the next few years. It was seen in an earlier part of this chapter that in several countries an increase of 50 per cent or more in the annual number of new entrants to the labour market can be foreseen. This figure may even tend to under-state the magnitude of the problem, since a more than proportionate share of the additional number of young people would have to be channelled into industry and other occupations requiring a relatively high degree of training. If, however, training facilities are not available, there is the double danger of considerable unemployment among the young and a further increase in the surplus of unskilled labour or, alternatively, greater overcrowding in sectors in which there is already a certain amount of disguised unemployment.

It was seen that Austria had to face this problem as early as 1953. Considerable efforts were made to meet these difficulties, which arose at a time when there was already rather heavy unemployment. Through the introduction of parallel classes and special courses it was possible almost to double the attendance in vocational training schools between 1952 and 1954. At the same time, it was made obligatory for all employers to employ a minimum ratio of young persons to the total number of employed.[73] Finally, the first steps were taken to introduce a ninth year of compulsory elementary school. A pictorial presentation of the plan to absorb the large generations is given in Chart 11. It can be seen how the impact on the labour market was planned to be delayed and dampened down, first by the introduction of an additional school year and later by a system of emergency workshops for training. Yet in spite of this fairly comprehensive set of measures, unemployment among young persons has remained rather substantial.

In western Germany, a law on compulsory employment of young people, similar to that in Austria, was introduced in order to meet the peak reached in 1954 and 1955 in the number of school leavers. The pres-

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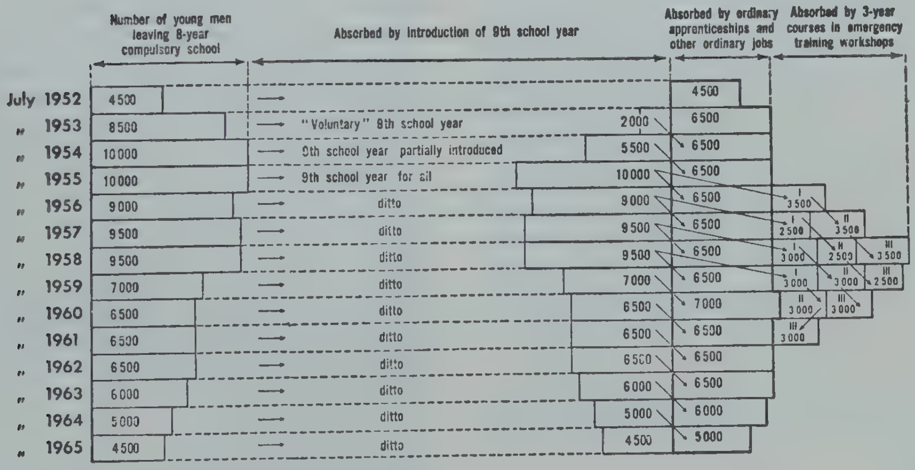
[72] For a vivid description of the deficiencies of the Danish system of training, see K. Vedel-Petersen, " Uddannelsesproblemet og Bevaegeligheden paa Arbejdsmarkedet" (The Problem of Training and Labour Market Mobility), *Nordiske Arbejdsmarkedsproblemer*, 1954.

[73] Law of 9 July 1953 on compulsory employment of youth.

CHART 11

Austrian plan for absorption of the large generations



Source: Reproduced from *Die Zukunft*, Vienna, January-February 1953, p. 20.

Note. — The ninth school year first introduced in 1953 became general by 1955 and is to be retained from then on. Over the period 1956 to 1958, three-year courses in emergency training workshops are introduced by yearly stages (I, II and III). By 1960 no more entrants into these courses are expected and by 1962, when the total of persons leaving the ninth school year can be placed in ordinary apprenticeships or ordinary jobs, the need for these courses will have disappeared, their members having become available for qualified work.

TABLE 74

Applicants and vacancies for apprenticeships

Thousands

	Western Germany (End of October)		Austria (End of September)	
	Applicants	Vacancies	Applicants	Vacancies
1952	134.8	42.3	11.7	4.4
1953	116.1	43.8	15.2	3.5
1954	112.2	52.9	17.8	3.2
1955	75.0	68.5	14.9	3.6

Sources : Western Germany: *Amtliche Nachrichten der Bundesanstalt für Arbeitsvermittlung und Arbeitslosenversicherung ;* Austria: *Amtliche Nachrichten des Bundesministeriums für Soziale Verwaltung.*

NOTE. — The figures for Austria show the number of applicants and vacancies reported as being immediately available.

sure on training facilities in recent years in Austria and western Germany can be gauged from Table 74.

In those countries where the flood of big generations is still to come, preparations have been made, or are beginning to be made, to receive them. The main emphasis is on the expansion of training facilities supplied by vocational training schools, while the encouragement of in-plant training through more generous public subsidies is generally given less attention. Sweden appears to be the only country so far where a concrete and detailed plan for the expansion of school facilities has been set up. The programme provides for almost a doubling, within ten years, of the number of students in full-time schools for training in industry, handicraft, agriculture, trade and domestic services.[74] In Norway, where the number of entries to the labour market will increase by some 50 per cent over the next five years, it is proposed to deal with the problem mainly by introducing parallel classes and special courses, with no significant expansion in the number of schools. In Denmark, another country where the arrival of the big generations is imminent, a government report published in December 1955 recommends that training facilities be expanded to take care of nearly one-quarter more young persons a year than in the years 1950 to 1954. The report further recommends a reform of existing apprenticeship arrangements and an adjustment of apprenticeship wages.

Perhaps the most ambitious scheme in western Europe [75] is that recommended in the Italian Vanoni plan. It includes the establishing of some 2,000 new vocational schools to take care of the 3 to 4 million workers to be trained in the coming ten years. In this case, it is the necessity of increasing total employment rather than the demographic movements in the next few years which is the overriding consideration. France, finally, is doubly in need of extending training facilities. There is a general need to expand the relative size of the industrial sector, and, in addition, the problem of absorbing the big generations will present itself with particular abruptness (see Chart 9). So far, however, it appears as if the urgency of the problem is only beginning to be realized. The *Rapport sur les comptes de la nation*, published in November 1955, lists as the first among a number of factors liable to hamper the continuation of expansion the fact that " the training of technical manpower and of cadres of engineers remains subject to the hazards of a strongly entrenched routine and will certainly very shortly lead to an inadequate supply of skilled workers in industry and agriculture ".[76]

Choice of profession

Closely connected with the question of the availability of training facilities is that of vocational guidance. One important aspect of this is the choice of young people as between manual industrial professions, on the one hand, and " white collar " professions in commerce and other services, on the other. There is undoubtedly a tendency for an excessive supply of labour to the " white collar " professions, based on the higher " social value " attached to these rather than on more promising standards of remuneration. This has the effect that employers in the service trades can afford to pick out the best human material, and the general way in which this is done is by raising, beyond real needs, the standard requirements—in terms of formal school education—for entry into the service trades. At the same time, technological developments continuously raise the real needs of intelligence and formal education for the skilled worker in industry. There is thus a very real danger of misallocation of intellectual capacities as between commodity production and service trades, and there is a need—not least in the countries where the available manpower is fully employed—to consider this qualitative aspect of its full utilization.[77]

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[74] *Yrkesutbildningen*, 1954.

[75] In the eastern European countries, on the other hand, the question of very intensive training programmes on all levels of skill has been an integral part of the post-war policy of industrialization.

[76] *Rapport sur les comptes de la nation*, Volume I, *Rapport et Comptes 1949-1955*, p. 58.

[77] The problem of enhancing the " social value " of skilled industrial labour has been much discussed in the Netherlands, where demographic developments make further industrialization imperative. See, for instance, *Vijfde nota inzake de industrialisatie van Nederland*, Parliamentary papers, 1955/56 session.

It is partly because of this need that the question of " pre-vocational " training and guidance is being given increasing attention in several countries. The principle is to introduce a vocational element in the last—or in an additional—year of primary school education, and to provide very basic and general instruction in special institutions or centres after the completion of compulsory schooling. The purpose is twofold: to delay somewhat the occupational choice and to enable it to be made on more rational grounds. Government subsidies for such arrangements were introduced in western Germany in the autumn of 1955, and examples along the same lines are found in Austria, Switzerland and the Netherlands.

In this respect, too, the advent of the big generations is a challenge and an opportunity for reform. It has been mentioned earlier in this chapter that the extension of the school-leaving age, if correctly timed, can act as a shock-absorber in those cases where the increase in the number of young people entering the labour market will be very sudden. If an additional school year is arranged more or less in the form of pre-vocational teaching, it would seem to provide some possibility of counteracting the bias in the relative " social value " attached to " white collar " and industrial professions. In some Scandinavian countries, in the Netherlands, western Germany and in Switzerland, more or less definite plans exist to make the raising of the school-leaving age coincide with the advent of the big generations. As mentioned earlier, this has already been done in Austria.

Training of women

The preceding discussion has shown that governments are realizing—in varying degrees—the huge tasks they face in extending and reforming the systems of vocational training, especially in connection with the arrival of the big generations on the labour market. They are more and more aware of the need for close co-ordination of private and public efforts in these matters and of the need for training policies to be more closely geared to forecasts of future requirements for skilled labour in the different sectors. In a number of countries it is reported that work on detailed budgets for skilled labour is under way.

But these reassuring developments should not be allowed to obscure the fact that present plans are seriously deficient in one respect where reform would seem to be particularly needed, namely that of female labour. Although efforts during the war to draw women into industrial work have produced lasting improvements in some countries, it is still generally true to say that those running the training and guidance services tend to take a conservative attitude to questions of employment opportunities for women: public schemes are heavily biased in favour of household work and similar activities, and vocational aptitudes are tested mainly with a view to what is by tradition considered to be typical feminine occupations. In industries where men and women work together, training facilities are often more limited for women, and upgrading courses are as a rule reserved for men. This handicap is all the more serious since employers are often reluctant to provide costly training for women whose presence on the labour market may only be temporary. There is here a vicious circle: women are insufficiently trained because they are expected to withdraw from the labour market after a few years, and the fact that they have not been properly trained makes it all the more difficult for them to return to the labour market at a later stage of their life. Hence the improvement in training facilities is one aspect of the long-term problem of increasing the supply of female labour which was discussed in an earlier part of this chapter.

6. Wage differentials under full employment

The preceding examination of the extent and distribution of the remaining pockets of unemployment seems to suggest that there is need for a higher degree of labour mobility in several countries. It is often suggested that one important reason for insufficient mobility, and generally for lack of flexibility in the occupational structure, is that a pattern of relative wages has developed which is inconsistent with, or is not sufficiently responsive to, changes in the demand for labour.

The narrowing of differentials

Wage and earnings statistics are in most cases insufficient to give a reasonably detailed picture of the present pattern of relative wages and the changes it has undergone in recent years. For a thorough investigation it would be necessary to consider not only the wage differentials between the broad groups of skilled and unskilled workers, but also those between more specific kinds of skill, between different occupations of comparable degree of skill, and between comparable work in different firms and regions.

The data assembled in Tables 75 and 76 can therefore provide no more than a rough idea of changes that have taken place during the war and its aftermath, and again between 1948 and 1954.

TABLE 75

Comparisons of average hourly earnings in main branches of activity

Percentages

Ratio of earnings for :	1938	1948	1954
All men in coal mining to skilled men in manufacturing			
United Kingdom	85	137	136
Western Germany	102	100	108
France [a]	63	129	118
Netherlands [b]	123 [c]	136	138 [d]
Women in manufacturing to men in manufacturing			
United Kingdom	51	59	60
Western Germany	59	61	63
France	55	94	93
Italy	47	66	57
Netherlands	59 [c]	61	58 [d]
Sweden	60	71	69
Norway	60	64	68
Denmark	61	66	66
Switzerland	56 [c]	66	64
Men in agriculture to men in manufacturing			
United Kingdom	48	72	69
Western Germany	64	66	67
Italy	43	58	60
Netherlands	61 [c]	83	88
Sweden	50	70	68
Norway	42	76	71
Denmark	44	65	60
Switzerland	42	47	47
Men in forestry to men in manufacturing [e]			
Sweden	73	103	102
Norway	42	81	77
Finland	73	77	77 [d]

Sources : National statistics.

[a] All men in coal mining to skilled men in engineering in the Paris region only.

[b] Underground miners only.

[c] 1939.

[d] 1953.

[e] Assuming an 8-hour day in manufacturing.

There are two rather different developments to distinguish. One is the very considerable and quite general improvement in the relative position of heavy, exacting, or otherwise unattractive work, such as mining, timber logging and agricultural labour. This mainly reflects a change in the general employment situation which made the traditional under-valuation of work of low "social value" untenable. This narrowing of differentials is a movement towards a less distorted wage pattern, and its effects on labour mobility and recruitment can only have been wholesome. It has tended to attract recruits to sectors which used to be underpaid in times of heavy unemployment, or at least to hinder the outflow of labour from them. Moreover, it has been an important stimulus to rationalization in sectors where low wages used to make mechanization unprofitable. Examples of this are the mechanization of coal mines and the rapid increase in the number of tractors in agriculture. In short, it means that relative wages more accurately reflect the true supply price of different kinds of labour, undistorted by monopolistic supply restrictions, on the one hand, and unemployment, on the other. The same is true for paid housework, although wage statistics are not available to show it.

When the reduction of wage differentials is adduced as a reason for insufficient labour mobility, another process is really envisaged, namely the general narrowing of the differential between skilled and unskilled workers in industry, between piece-work and time-work, and sometimes the differentials between regions. Table 76 shows that in all countries for which figures are available the differential for skill narrowed considerably between 1938 and 1948. In the subsequent period, from 1948 to 1954, the general tendency would seem to have been that of a slight re-widening of the gap. In Italy, where the post-war inflation had produced a considerable distortion of the wage structure, the subsequent readjustment was pronounced.

The causes of this narrowing of the skill differential are quite different from those which have produced the improvement in the relative wage position of hard or otherwise unpleasant work in mines, fields and forests. This becomes clear when it is remembered that, during the war as well as in the post-war years, the general situation has been one of shortage of skilled workers, especially in building, in engineering and in other expanding branches of manufacturing industry. This is true not only in countries with more or less full employment, but in many cases also in countries with considerable unemployment. This being so, the narrowing of the skill differential cannot, in general, be explained as the result of shifts in the

TABLE 76

Wage differentials by degree of skill

Percentages

Ratio of earnings for :	Circa 1938	1948	1954
United Kingdom			
A. *Unskilled to skilled*			
Building time-rates	76	80	84 [a]
Shipbuilding ,, ,,	72	82	82 [a]
Engineering ,, ,,	75	84	85 [a]
Railways ,, ,,	61	75	77 [a]
Printing ,, ,,	72	..	79 [a]
Flour milling ,, ,,	78	..	80 [a]
B. *Labourer in engineering to fitter*			
Time workers, effective rates	74	81	78 [b]
Piece workers, ,, ,,	71	83	79 [b]
C. *Time workers to piece workers in engineering*			
Fitters	85	88	89 [b]
Labourers	86	89	90 [b]
D. *Piece workers in engineering to skilled fitters*			
Highly skilled (toolroom fitters and turners)	..	109	106 [b]
Semi-skilled	..	94	92 [b]
Labourers	..	79	76 [b]
Norway			
Unskilled to skilled			
Engineering	81	91	92 [d]
Building	73	93	95
Denmark			
Unskilled to skilled			
All industries	85	83	85
Engineering	84	82	85
Building	88	92	91
France			
Workers in industry to skilled (wage rates)			
Highly skilled	..	113	120
Semi-skilled	..	87	89
Unskilled (with limited training)	.. } 70	78	82
Wholly unskilled	..	73	78
Netherlands			
A. *Unskilled to skilled*			
All industries	74	85	87 [b]
Engineering	77	87	86 [b]
Wool industry	90	96	91 [b]
Cotton industry	93	89	87 [b]
Building	74	..	85 [b]
B. *Semi-skilled to skilled*			
Building	83	95	97 [b]
Western Germany			
Unskilled to skilled			
Manufacturing	74	80	80
Building	..	..	81
Austria			
Unskilled to skilled (wage rates [c])			
Engineering	76	79	83
Building	75	88	88
Switzerland			
Unskilled to skilled			
Manufacturing	76	83	83
Building	76	84 [e]	84
Italy			
Workers in industry to skilled			
A. *All industries*			
Highly skilled	119	103	108
Semi-skilled	90	98	96
Unskilled	81	97	93
B. *Engineering in Milan*			
Highly skilled	124	103	109
Semi-skilled	88	98	96
Unskilled	85	96	92

Sources : United Kingdom: A. K. Knowles and D. Robertson "Differences between the Wages of Skilled and Unskilled Workers, 1880-1950", *Bulletin of the Oxford University Institute of Statistics*, 1951, p. 109 ff. B, C and D: K. Knowles and J. Hill, "The Structure of Engineering Earnings," *ibid.* 1954, p. 271. Other countries: national statistics.

NOTE. — Unless otherwise indicated, data refer to differences in earnings.

[a] 1950.
[b] 1953.
[c] Except for engineering in 1937 and 1948 (earnings).
[d] 1952.
[e] 1949.

relative demand for different kinds of labour. It is the result of organizational changes on the trade union side, of positive wage-levelling policies by trade unions and, in some measure, of the particular way in which wage increases have been granted under conditions of inflation, often accompanied by government intervention in the labour market.

All of these elements enter into the picture, in various proportions, in the different countries. Nevertheless it is possible to distinguish some characteristic patterns. The United Kingdom, Sweden, the Netherlands and France may be singled out as examples of different typical situations. A closer examination of these examples is all the more warranted because policies and attitudes with regard to wage differentials have an important bearing on the whole question of wage inflation, which will be dealt with in the next section of this chapter.

In the United Kingdom, the relative lowering of the wages of skilled workers which has taken place over the last 15 years or so is largely explicable in terms of continuing changes in the institutional framework of wage bargaining. This is only the acceleration of a long-term trend. The main facts are the increasing degree of organization of unskilled workers and the development towards more industry-wide wage bargaining, including the unskilled with the skilled. Simple and over-all formulae are required for general wage bargaining in order to preserve unity and cohesion, and this has very often taken the shape of agreed absolute increases applied to all grades of skill.[78]

It is important to note that this narrowing of differentials has been, in a sense, an automatic process rather than the result of conscious policies of the trade union movement. It is consistent with this interpretation that the resulting levelling was never definitely accepted by those groups whose relative position had deteriorated. Thus the differentials established by historical accident and sanctified by tradition continue to be regarded by the higher-paid categories of workers as a normal pattern to which it is just and desirable to return. The urge to regain lost ground is particularly strong after periods of rapid increase in the price and wage level, when the practice of giving " flat " increases becomes an important factor in the levelling process. The conflict between a more or less automatic drift towards a more egalitarian wage structure and, furthermore, a strong desire by the higher-paid to preserve old-established differentials goes some way towards explaining the British wage movements of recent years, in which the return to what is felt to be normal differentials has played such a prominent role.

The Swedish case stands out in fairly sharp contrast to the British. In Sweden, the reduction of wage differentials has to a considerable extent been the result of a conscious policy of the trade unions, inaugurated in the later 'thirties, under the name of the " wage solidarity policy ". Originally this policy involved an attempt to eliminate wage differentials between industries which were based on purely historical factors; later it has been broadened to include an adaptation of the whole system of wage differentials between degrees of skill within the different industries. A further implication, at least in the intent of the Swedish policy of " solidarity ", is that differences in profitability as between industries and between firms within a given industry ought not to be reflected in wage differentials. This principle has important implications for trade union attitudes to the problem of wage inflation, as will be seen. It is also clear that the pursuance of this policy presupposes a rather high degree of co-ordination of wage bargaining by the central trade union authorities.

The changes in the wage pattern in the Netherlands have been similar to those in Sweden: the purely historical differences between high- and low-wage sectors have been largely eliminated; differentials have generally narrowed and, at the same time, a more subtly differentiated structure based on the principle of " equal pay for equal work " has been introduced within each industry. However, the institutional background for these changes is very different from that in Sweden. First, the Dutch wage structure became so seriously distorted during the war and the occupation that a fresh assessment was in any case necessary, and, secondly, this new appraisal was heavily influenced by the system of government control of wages. Although the government decisions were directly concerned only with controlling the average level of wages, the system necessarily implied a high degree of centralization in the bargaining about relative wages, and once relative wages became subject to central decisions, whether by the Government or by the leaderships of the labour market organizations, they almost inevitably came to be based largely upon criteria relating to the nature and requirement of the work, rather than on tradition or relative bargaining strength in different industries and firms. Thus, the system known as " job evaluation " naturally came to be applied more thoroughly in the Netherlands than in any other country of western Europe.[79]

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[78] For a thorough study of the organizational background of the narrowing of skill differentials in the British wage structure, see H. A. Turner, " Trade Unions Differentials and the Levelling of Wages ", *The Manchester School of Economic and Social Studies*, September 1952, p. 227. There it is shown that there are only three important instances—coal, steel-making and cotton-spinning—in which wage differentials have not been reduced, and that each of these instances can be explained by peculiarities in the organizational structure.

In France, a peculiar mixed system of politically determined over-all wage movements and free collective bargaining has developed since 1950. In that year, the war-time government control of wages was abolished, and at the same time a guaranteed national minimum wage was introduced. The idea behind this arrangement was that the minimum wage would serve as a floor to defend the standard of living of the lowest-paid sector of the workers and thus take care of the social aspect of wage formation, whereas free wage bargaining, at the industry and enterprise level would take care of the necessary readjustments —above the minimum level—of the pattern of relative wages. It was hoped, in other words, that the free forces on the labour market would do away with the rigidities and irrationalities in the wage structure which had developed during many years of public control of the wage system. Developments after the introduction of the minimum wage were, however, very different from what had been envisaged. What actually happened was that the minimum wage, instead of being just a floor, became the point of reference in fixing wages in collective agreements. Thus, the really important wage negotiations continued to be those at the national and political level, and the successive increases of the minimum wage during the following years, in theory intended to be a measure of social policy in favour of the lowest-paid, became in practice the signal for proportionate wage increases at all levels, and by and large the pattern of relative wages remained as rigid as before.[80] It was only in the wage movements of 1955 that a less unified pattern of wage bargaining seemed to be developing, with wage increases being claimed and pressed through in accordance with bargaining strength in the different industries, enterprises and regions.

Differentials and mobility

As mentioned earlier, it is often contended that the narrowing of wage differentials is in a large degree responsible for the deficiencies of the labour market, since they manifest themselves in labour shortages and remaining pockets of unemployment. It is not easy to assess the importance of wage differentials as an incentive for workers to acquire skills and to move both geographically and between occupations, industries and firms. As regards the recruitment of young people for skilled trades, there is of course a lower limit to the wage differential below which recruitment becomes precarious, but the instances where this has been an important factor limiting the supply of skills are relatively few and refer largely to the earlier post-war years. The organizational difficulties, including the lack of training facilities mentioned in an earlier section, have generally been a far more important obstacle.

Apart from the question of the recruitment of young people, the discussion largely turns around the question whether or not a flexible wage system, highly responsive to changes in conditions of demand and profitability, is an important—and desirable—incentive for the flow of labour towards expanding industries and firms. The empirical evidence for answering this question is insufficient, and, in particular, statistics comparing movements in wages and employment in various industries are quite inconclusive.[81] Investigations based on interviews with workers are too few to give a convincing answer either way, but if a broad and tentative conclusion were to be ventured, it would be that comparisons of actual differences in earnings are less important as a motive for movement between occupations, industries and firms than is often supposed. Or, stated in other terms: differentials would need to be very considerable in order to become an important mechanism for labour transfers.[82] Even if this were

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[79] For a description of Dutch wage policies, see Bert Zoeteweij, " National Wage Policy: The Experience of the Netherlands ", *International Labour Review*, February 1955.

[80] In February 1954, the minimum wage was increased by 15 per cent, and in order to avoid repercussions on the whole wage structure the decree stipulated that this increase should apply only to workers actually receiving less than the new minimum wage. (The official name given to this wage increase was *indemnité dégressive non-hiérarchisée.*) It is significant, however, that two months later, in April 1954, a remission of the progressive direct tax on wage incomes was given, the result of which was to raise disposable incomes of higher-paid workers. (For a discussion of the French experience of minimum wage legislation, see Jean Marchal, " Esquisse d'une théorie moderne des salaires et d'une théorie générale de la répartition ", *Revue économique*, July 1955.)

[81] A high positive correlation between changes in employment and changes in earnings in various industries need not suggest that the expanding industries were able to expand because they were paying higher wages. The interpretation might equally be that both higher employment and higher wages result from higher productivity.

[82] Sample inquiries undertaken in Sweden in 1946 and 1948 seemed to show that even among young workers the prospect of higher wages was the main motive for moving only in about one-third of the cases. Other Swedish investigations have suggested that perhaps wage comparisons are less important as a motive for moving *into* relatively high-wage jobs than as a motive for moving *out of* relatively low-wage jobs. See Rudolf Meidner, *Svensk arbetsmarknad vid full sysselsättning*, 1954, pp. 197 ff.

A recent investigation for two areas of London seemed to show that wage comparisons played a very minor role as an

(Continued on next page)

not so, the argument of those in favour of highly flexible wages may well be turned around: if relatively high wages in expanding industries and firms can have the wholesome effect of starving the contracting industries and the inefficient firms of labour, a system of " equal pay for equal work ", regardless of profitability in the individual industries or firms, might have the no less wholesome effect of compelling the inefficient to close down or to rationalize.[83]

The question of the effects of regional wage differentials is more complex. It would seem that the general tendency has been for such differentials to narrow down, especially in those countries (for instance France) where they used to be important. Here again, it is not known whether the existence of relatively low wages in economically less developed regions of a country stimulates the flow of labour to regions where activity and wage levels are higher. But even if an answer could be given to that question it would still have to be decided whether such movements are desirable.[84] The regional wage differential must be judged not only on the basis of its effect as a motive for workers to leave, but also as a motive for industrialists to settle down in the less developed regions. The question is whether, in the less developed regions, the supply of labour should be adapted to the demand, by inducing workers to move away, or whether the demand for labour should be adapted to the supply, by inducing employers to move in. To the extent that the latter solution is preferred, the equalization of wages between regions would appear to be undesirable. But the national unification of wage levels is a strong tendency which, perhaps, cannot be halted. It tends to be favoured by trade unions and, even more, by employers' organizations, which are normally dominated by the industries located in the more prosperous parts of the country. They are likely to be apprehensive of the danger of " social dumping " from the poorer regions, the more so since the big, nation-wide, industrial concerns would themselves normally pay the same wage as elsewhere when they establish branches in less developed regions.

To sum up, little is known about the role of wage differentials as a motive for workers' movement, be it geographically or between occupations, industries and firms. But perhaps this whole question is also somewhat academic. For it is clear enough that there is in actual fact a trend towards more unified wage systems and towards the fixing of wages according to the nature of the work and the individual skill, regardless of differences in demand conditions and profitability in particular industries and firms. It was seen above, when the process of wage equalization in four different countries was considered, that several factors work towards this result—social considerations, organizational changes, the inflations which have been going on, and, not least, the simple fact of full employment.[85]

In these conditions it appears to be somewhat unrealistic to expect that the problem of mobility of labour, as between expanding and contracting industries and expanding and contracting firms, can be taken care of mainly through the incentive provided by a fluid wage system. In fact, this would imply that wages again became more like market prices, determined largely at a local level, in the industry or the individual enterprise.

Nevertheless, the fact remains that there has been throughout the post-war period a persistent tendency towards under-supply of skilled workers for the expanding industries, and it has also been seen that pockets of unemployed—seasonal, regional or otherwise—continue to exist together with shortages in other fields. If, now, a more flexible wage system cannot be relied upon to provide the necessary mobility of labour, two conclusions suggest themselves.

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inducement to middle-aged workers to move, whereas it was quite important for young workers. See Margot Jefferys, *Mobility in the Labour Market*, 1954, pp. 140 ff.

An American authority on the economics of labour sums up the results of investigations carried out in the United States in these words: " It is quite unrealistic to assume that the worker's willingness to leave his job depends mainly on the wage level of his plant relative to other plants . . .". And he adds: " Economists have tended to regard rational behaviour by workers as synonymous with complete responsiveness to wage differentials. This is too limited a view . . . The fact that workers do not jump constantly from job to job in pursuit of maximum earnings proves nothing about their rationality, though it may prove something about the rationality of economists who expect them to do so. " See Lloyd C. Reynolds, " Economics of Labor ", *A Survey of Contemporary Economics*, ed. H. S. Ellis, Philadelphia/Toronto, 1948, pp. 275 ff.

[83] This effect would of course fail to materialize if protective measures were strengthened such as was the case, for instance, with the Swedish textile industry in 1955.

[84] See the discussion of regional unemployment earlier in this chapter.

[85] Few data are available on wage differentials as between firms. The following figures for Sweden may not be untypical of the equalization that results from full employment:

	Percentage wage increase from 1939 to 1949 for male workers in			
	Engineering industry	*Wood-working industry*	*Paper industry*	*Printing*
Enterprises with				
1 to 10 workers . .	116	109	95	98
11 to 50 ,, . .	113	115	94	77
51 to 200 ,, . .	95	114	87	77
201 to 500 ,, . .	94	102	83	84
More than 500 workers	91	116	86	61
All enterprises . .	97	108	88	82

Source: Fackföreningsrörelsen och den fulla sysselsättningen published by the Swedish Federation of Trade Unions, 1951, p. 118.

One is the importance of removing whatever artificial barriers to labour mobility may exist, such as the " restrictive practices " of trade unions. This was discussed briefly in connection with the problem of rationalization in the building industry. The other conclusion is to stress once more the necessity for better co-ordination and more foresight in policies of vocational training and guidance.

7. THE QUESTION OF WAGE INFLATION

The discussion of wage differentials showed that there has been a trend almost everywhere for wages to become less of a market price in the ordinary sense, and more determined by political and other institutional factors which defy an explanation in purely economic terms. This trend, which was powerfully stimulated during the war, when government regulation of the wage level in some form or other was generally applied, is one of the reasons why, throughout the post-war period, the question of wage inflation has come to the fore. The other reason is the existence in many countries of a high level of demand for labour.

These two factors are of course closely interrelated. It was the pressure on resources during and after the war which made government intervention necessary, and public intervention in wage fixing inevitably involved an extension and unification of the labour market organizations, both on the workers' and on the employers' side.[86] As a result, collective bargaining is now far more widespread than before the war, more workers are organized, and collective bargaining tends to be made for broader groups; in some cases almost the whole of organized labour is involved in a joint and highly centralized bargaining procedure, at the national level.

It is important for a discussion of the problems of wage inflation to keep in mind the distinction between these two factors: the level of demand for labour and the organizational and political setting. To make this quite clear it may be useful to distinguish between different forms of wage inflation, even at the risk of over-simplifying highly complex matters.

Forms of wage inflation

First, an upward movement of the wage level may be due to an excess of demand for labour.[87]

For this *demand-induced wage movement* to be an important element in the inflationary mechanism requires as a general condition a state of full—or " over-full "—employment, or at least the existence of shortages of labour within important sectors. In this case wages react as any other price under the pressure of demand, and the typical case is that where actual earnings, as determined in detail by bargaining at the enterprise level, increase faster than was foreseen in the decisions laid down in collective agreements. It is the so-called " wage-slide " or, as it is called when it takes on serious proportions, the " black-market wage ". The important characteristic, from the point of view of the present discussion, is that it escapes the control of the labour market organizations. Clearly, this form of wage inflation is determined essentially by the employment situation, and the policy issues to which it gives rise are identical with those of keeping over-all supply and demand in balance, including measures to improve the mobility of labour so as to avoid bottlenecks in the labour market.

Secondly, there is the *compensatory wage movement* in response to a preceding increase in the cost of living, be it on the basis of automatic sliding-scale arrangements or otherwise.[88] This kind of wage movement is a matter for more or less centralized wage bargaining.

Thirdly, there is the wage movement which simply reflects the fact that trade unions are strong enough and the resistance put up by employers' organizations weak enough to secure an increase in money wages over and above what is warranted by the advance in productivity. Neither excess demand for labour, in the ordinary market sense of individual bargaining in the enterprise, nor a preceding increase in the cost of living is a necessary condition. This is *autonomous wage inflation*, and it will be seen that among the three kinds of wage movement here distinguished it is the only one which can properly be regarded as an independent cause of inflation.[89] It is on this kind of wage movement that attention will be mainly focused.

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[86] Finland, the Netherlands and France are among the countries where the war brought with it a complete change in the degree of organization and the scope of collective bargaining.

[87] The distinction between different forms of wage movement given in the text is, of course, not meant as an attempt to classify various kinds of inflation by their " final " causes. The reasoning simply starts from the fact that any inflationary process, whatever its origin, entails an increase in the level of wages, and it is this single link in the chain of causation on which attention is here focused.

[88] The particular reason why, in its turn, the cost of living has risen is irrelevant for the present purpose. It may be due to excess demand created by a preceding autonomous increase in nominal wages, to a support policy in favour of agriculture, or to a decline in average productivity, taken in the widest sense, including harvest failure or deterioration of the terms of trade.

It is hardly necessary to stress that the distinctions made above involve considerable simplification. In practice, the distinction between the autonomous wage movement and that which stems from excess demand for labour is anything but hard-and-fast: on the one hand, trade union authorities—and still more those of the employers' organizations—are far from being without influence on the individual wage bargain at the enterprise level, and, on the other, wage negotiations at the level of the industry or even at the national level cannot be wholly independent of the state of demand for labour. The fact remains, however, that the general trend is for the distinction between the two spheres of wage determination—the market mechanism and the political determination—to become more and more clear-cut.

For two countries (Sweden and Denmark) wage statistics allow a break-down of the total wage increase into components which correspond fairly closely to the above distinctions. It appears from Table 77 that in both Sweden and Denmark that part of the wage increase which primarily reflects the pressure of demand for labour has, over the whole of the periods considered, accounted for about one-third of the total increases in earnings. The rest of the wage increase in Sweden was largely in the form of negotiated general wage increases, whereas in Denmark the mechanism was rather that of automatic sliding-scale adjustments to preceding increases in the cost of living. This difference is also suggested by the difference in the relative movements of the wage and price curves, as shown in Chart 12.

It is significant that in Denmark the " wage-slide " was relatively small for the unskilled workers, among whom there was considerable unemployment in parts of the period considered. A closer analysis has shown a fairly high correlation, especially for the unskilled, between the " wage-slide " for each single year and the annual percentages of unemployment.[90]

There is thus undoubtedly a connection between the state of employment and the speed with which wages increase. But, to repeat, it is only one element in the formation of wages that is closely dependent on the degree of employment, and it would be vain to attempt to explain the broad differences in wage behaviour in different countries in recent years primarily on the basis of differences in the employment situation.

TABLE 77

Components of increase in average hourly earnings for men in industry in Sweden and Denmark

Swedish or Danish öre per hour

Country and period	Cost-of-living compensation	General wage settlement	Other (" wage-slide ")	Total
Sweden [a]				
1939 to 1950 . .	33	47	54	134
1950 to 1952 . .	—	80	23	103
1939 to 1952 .	33	127	77	237
Denmark [b]				
1947 to 1949 . .	15	10	18	43
1949 to 1951 . .	30	7	8	45
1951 to 1953 . .	25	5	13	43
1953 to 1955 . .	5	4	17	26
1947 to 1955 .	75	26	56	157
of which :				
Skilled . . .	75	25	78	178
Unskilled . .	75	27	42	144

Sources : Sweden: *Fackföreningsrörelsen och den fulla sysselsättningen*, Malmö, 1951, p. 110 and *Levnadskostnader och löner*, December 1952, p. 31, both published by the Swedish Federation of Trade Unions. Denmark: Arne Lund, " Spontan og autonom lönstigning ", *Festskrift til Jörgen Pedersen*, Aarhus, 1951. The figures have been brought up to date on the basis of the method indicated by the author.

[a] Excluding increase in hourly rates due to the extension of paid holidays.

[b] The figures refer to changes between the second quarters of the years indicated.

The movements of nominal earnings and of the cost of living during the years from 1948 to 1955 are depicted for 12 countries in Chart 12. It is necessary to sound a warning against a possible misinterpretation of these graphs: the choice of 1948 as the base year for the two curves is arbitrary and does not imply that there was anything normal about that particular year. The fact that in most cases the curve for money earnings lies consistently and increasingly over the cost-of-living curve in no way indicates that the mechanism has been that wages ran ahead, dragging prices behind them, rather than the other way round; it simply reflects the well-known fact that the whole period since 1948 has been one of large increases in the standard of living.

The chart may serve to illustrate how easily the role of full employment in creating wage inflation can be exaggerated. The six countries in the upper half of the chart are those in which, as seen in earlier parts of this chapter, full employment has prevailed during the whole, or nearly the whole, of the period

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[89] The expression " independent cause " is meant to imply that further tracing of the causation would lead beyond the realm of economic analysis.

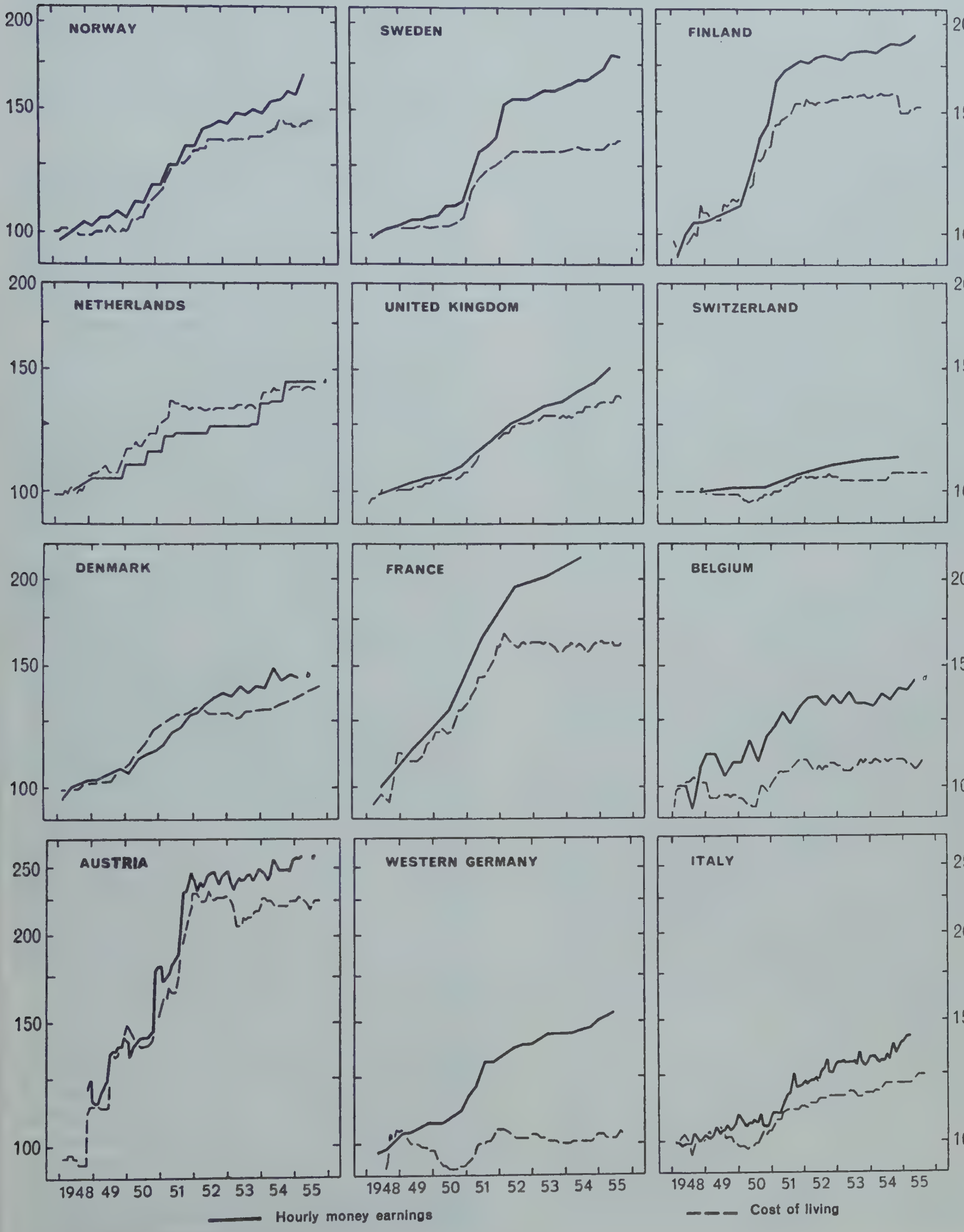
[90] See Arne Lund, " Spontan og autonom lönstigning " (Spontaneous and Autonomous Wage Increase), *Festskrift til Jörgen Pedersen*, Aarhus, 1951, pp. 104 ff.

CHART 12

Movements of hourly money earnings in manufacturing industry and of the cost of living

Index numbers, 1948 = 100

Semi-logarithmic scale



Sources : National statistics.

a The series relates to wage rates. It covers all men in industry (including building).
b Industry including building, services and transport.
c Take-home pay based on total wage bill.
d Metal industry only.
e Vienna only. Total industry, including building.

considered; in the other six countries there has been some slack or even mass unemployment. On the whole, money wages do not appear to have risen more excessively in the first than in the second group of countries. As regards the rates of increase of the cost of living, the picture is rather varied, reflecting differences in subsidy and rent policies besides the influence of wage movements, but if a generalization is to be ventured, it would be relevant to point to the close correspondence between the rates of devaluation chosen in 1949 and the subsequent increase in the cost of living rather than to differences in the employment situation. It is interesting, for instance, to compare the movement of wages and prices in the United Kingdom and Italy, two countries which have been at opposite ends of the scale as far as the employment situation is concerned. A realistic explanation of the fact that wages have risen to nearly the same extent in Italy as in the United Kingdom would have to take into account many other factors than the employment situation, among them the important institutional changes that have taken place in the Italian labour market. Without entering into details, it may be briefly mentioned that in present-day Italy wage developments are not to any considerable extent determined at the enterprise level,[91] and this helps to explain that wages have been able to increase in the face of large-scale unemployment.

It is obvious that the chart is of no value for an assessment of prospective movements of wages.[92] The conclusion that can be drawn from the chart is only the negative and vague one that in the actual experience of the past seven years there was no clear and consistent correlation between the movement of nominal wages and the degree of employment. It of course remains true that, other things being equal, increasing pressure of demand on resources in general, and on manpower in particular, makes demand-induced wage movements more prominent and, partly in association with them but partly independently, the tendency towards autonomous wage inflation also becomes more pronounced. The important point is that, over a somewhat longer period, many other factors, institutional and organizational, which influence wage movements may swamp the particular effect of the employment situation.

Co-ordination of wage negotiations

The institutional framework in which wage negotiations take place is of obvious importance for the control of autonomous wage inflation. The question may best be discussed with particular reference to the contrast between the institutional pattern in the United Kingdom and that in the Scandinavian countries. There are two separate though interrelated questions to consider: the synchronization of wage negotiations and the degree of influence exerted by the central trade union authorities.

In the Scandinavian countries, the general trend has been towards synchronization of wage settlements. This is particularly true of Denmark and Sweden, less so of Norway. By contrast, in the United Kingdom there is no particular season of the year when collective agreements generally come up for renewal. Wage negotiations for the various industries are spread over the year in a more or less unpredictable manner.

The synchronization of wage negotiations may be a necessary, but certainly not a sufficient, condition for containing autonomous wage inflation. A comparison of actual wage movements in the United Kingdom and the Scandinavian countries (Chart 12) gives no clue in answering the question as to whether the bunching of wage negotiations in itself is likely to reduce or enhance the danger of inflationary wage movements.

It is true that under conditions such as those ruling in the United Kingdom, the upward wage movement tends to become a more or less continuous process because it becomes imbued with a strong element of competition between the various groups of workers. Under such a system, the trade-union leaders—and the rank and file—in any one industry (that is, in every industry taken separately) may be convinced, rightly or wrongly, that any further advance in the *general* level of nominal wages would be frustrated by a corresponding rise in prices; nevertheless, no single federation can afford to hold back on its wage claims because it will then run the risk of losing, both in terms of the absolute level of real wages and in terms of the relative position, if other federations take a less restrained attitude. It is characteristic of this competitive element in wage bargaining that wage claims in the United Kingdom are so often based on the express desire to preserve, or regain, a position relative to other groups of workers.

In those countries, on the other hand, where wage negotiations are timed together, there is more chance of success for a policy of voluntary wage restraint—at least for a certain period of time. But against this stands the fact that, when wage agreements have a common and predetermined date of renewal, there tends to be created an expectation of a normal, almost automatic annual advance. Thus, in the final result, the difference between the British and the Scandinavian systems may be only that between a gradual and fairly regular advance of wages on the one hand, and, on the other, alternating periods of effective wage restraint and of very general and sudden wage boosts.

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[91] See Dunlop and Rothbaum, " International Comparisons of Wage Structures ", *International Labour Review*, April 1955.

[92] Wage movements in 1955 are discussed in Chapter 1.

As regards the centralization of decisions concerning wage claims, the difference between the British and the Scandinavian patterns, though fairly important, is only one of degree. In Sweden, where the question has been under continuous discussion, the individual federations have on several occasions given their agreement to the screening and co-ordination of wage claims by the central trade union authorities. But such agreement has always been given on an *ad hoc* basis—most recently in November 1955 for the renewals due at the beginning of 1956—and a proposal worked out by the Swedish TUC in 1951 for a permanent central " Agreements Council " within the trade-union movement was never accepted. In Denmark, the most recent development seems to be towards less influence for the central authorities at the first stages of the general wage negotiations, but a strong element of co-ordination will normally appear at the final stage of the negotiations owing to the special authority of the state mediator to impose joint voting on his proposal for a large number of trade-union federations.[93] In Norway, the renewals of wage agreements are less closely synchronized, as already mentioned, but the central trade-union authorities have by law been given an important power of control over wage claims: when compulsory state arbitration was in principle abolished in 1949, it was retained with respect to wage claims which have not got the backing of the Norwegian TUC. If agreement cannot be reached at the level of the individual federation, it is the TUC which has to decide whether to enter into open conflict or to leave the court of arbitrators to make a final and binding decision.

A generalized system of compensation

The system of comprehensive and simultaneous wage-rounds, typical of the northern countries, has the disadvantage that it tends to spread beyond the sphere of wages. To begin with, the adjustment of manufacturers' and traders' prices in proportion to increases in money wages becomes almost a matter of routine, at least in the sectors not directly exposed to foreign competition, when the level of wages over the whole of the economy is lifted at a certain date. Moreover, when the adjustment is allowed of agricultural prices and incomes, as well as social benefits, to changes in money wages, a mechanism is then created under which any upward push given to wages will rapidly result in an all-round lift of the level of prices and costs. Experience has shown that the danger is very real, under these conditions, that the different groups, knowing that they are insured against the effects of inflation, display generosity in the mutual concession of income advances. Illustrative examples are found in the steeply rising and closely associated wage- and price-curves in Austria and Finland in the years up to 1951 (see Chart 12).

The fully automatic and reasonably frequent adjustment of wages to changes in the cost of living has, however, the favourable effect of enabling collective agreements to be made for longer periods than would otherwise be possible. Two-year agreements have in some cases been concluded in Sweden. In Denmark, agreements covering a two-year period have been the general rule throughout the post-war period, and it has been clear that the essential condition for this to be acceptable for the workers is the automatic half-yearly adjustment for increases in the cost of living. It is open to doubt, though, whether the stabilizing influence of the long-term wage agreement can offset the effects of the automatic sliding-scale on the attitude of other socially and politically important groups.

In general, sliding-scale arrangements have become more and more frequent throughout western Europe, though there are also recent examples (for instance in Austria and Finland) where the change is towards less automatic arrangements. Although the systems vary widely from one country to another as to the degree of automaticity, the frequency of adjustment and the completeness of compensation, it is broadly true to say that some kind of sliding-scale arrangement is provided for a large part of the workers in every country, the main exception being western Germany.

It is not surprising that western Germany should be an exception in this respect, since (as seen in Chart 12) the cost of living has by and large remained unchanged during the post-war period. This remarkable absence of an autonomous wage inflation in western Germany has often been explained with reference to the existence of considerable unemployment, which is supposed to have weakened the bargaining power of trade unions. Others have pointed to organizational weaknesses in the trade union structure, especially the low degree of organization, or to an allegedly docile attitude of German workers.[94]

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[93] This is an important restriction on the individual federation's freedom to accept or refuse a proposal by the mediator, implying as it does an element of compulsory arbitration.

[94] The peculiarities of the organizational pattern in western Germany and their effects in weakening the workers' bargaining strength are discussed by Clark Kerr, " Collective Bargaining in Post-war Germany ", *Industrial and Labour Relations Review*, April 1952.

In such discussions, it is often overlooked that in western Germany money wages have in fact gone up as much as, and real wages much more than, in most other western European countries. Although the standard of living is still significantly lower for western German workers than for workers in the United Kingdom or Scandinavia, German workers have in the last few years seen their standards improve far more rapidly. When this is kept in mind, it seems less surprising that the advance of nominal wages has been kept within the margin set by the advance in productivity.

Rather than western Germany, it is the Netherlands which seems to provide the really outstanding example of wage restraint[95] in western Europe during the post-war period.

Government wage control: the Dutch case

The extraordinary conditions during the war gave rise to some temporary government control of wages in virtually all countries of western Europe. In Finland and France it continued until around 1950, but it was only in the Netherlands that government wage control became a more permanent feature.

Very broadly, the Dutch system of wage control is operated through a Board of State Conciliators, acting under government directives and on the basis of advice from the Social and Economic Council and the " Foundation of Labour ". The latter is a body consisting of equal numbers of workers' and of employers' representatives and has the very important function of screening the collective agreements before they come up for final decision by the Board of Conciliators. Through these arrangements, the relative structure of wages is largely left to bargaining —free, *de facto*, but highly centralized—between the labour market organizations, while the movement of the over-all level of wages is subject to effective decision at the government level.

This organization of the labour market has made it possible not only to check autonomous wage movements but also largely to avoid the demand-induced bidding up of wages at the enterprise level.[96] When the Korean boom began, general agreement was reached on framing wage policy explicitly with a view to lowering real wages by as much as 5 per cent. The effects can be seen from Chart 12. Real wages fell considerably below the 1948 level, and it was not before 1954 that the gap was closed by an increase of real wages to about the level of six years earlier.

More recently the whole structure of wage policy in the Netherlands has come up for reconsideration. In this discussion, the questions of government control over the general level of wages and that of the degree of freedom for wage differentiation are closely interwoven. It is important to note that opinions about the desirable extent and form of government control over wages are divided along political and religious lines both on the side of the employers and that of the workers. The majority of the Social and Economic Council—reflecting, it seems, the opinions of the Protestant and Catholic trade unions and of the Protestant employers—suggested, in the autumn of 1955, that decisions on the general wage level should be vested in a special committee of the Council, the Wage Council, although its decisions would be subject to government veto in the last instance. This suggestion by the majority is coupled with a request for a more flexible system of wage fixing in detail which would make it possible for wages to vary according to profitability and demand for labour within the various sectors.

Against these plans stands a minority consisting primarily of the socialist trade unions who want to continue the present system of government decisions through the Board of Conciliators, and, in particular, are firmly opposed to any attenuation of the system of " equal pay for equal work " which has been built up during the post-war years. They are against the widening of differentials both as between sectors and as between more or less successful enterprises within the same industry, and they seem to be supported in this position by the " liberal " employers (i.e., those who are not organized on religious lines) who fear that the introduction of more flexible wage systems would lead to competitive bidding among employers.

No new legislation has as yet been introduced, but some minor administrative steps have been taken to meet the desire of the majority of the Council for more flexibility with regard to wage differentials.

Attempts to define a national wages policy

The favourable effects on the foreign competitive situation of the Netherlands produced by the delay in the rise of wages has aroused considerable interest in the Dutch system in other countries. It must be remembered, however, that these effects depended on the willingness of the Dutch workers to display wage restraint in the interest of speeding up the reconstruction of the country after the war and that subsequently, in the years 1954 and 1955 when the economic situation improved considerably, the increase in money wages in the Netherlands was more rapid than in any other country of western Europe. It would be very difficult to apply a scheme like the Dutch one to those countries —primarily the United Kingdom and the northern countries—which resemble the Netherlands in having had a high level of demand for labour throughout the post-war period, but differ in having a stronger and highly unified trade union organization. In these countries, the opposition of trade unions to government control of wages is almost unanimous.

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[95] There has been a remarkable stability of wages also in Switzerland. The absence of demand-induced wage inflation may be explained by the relatively free entry of foreign workers in sectors where an acute shortage of labour threatened to appear. It is more surprising that there has also been a virtual absence of an autonomous increase of the wage level. The low degree of unification of the Swiss trade-union movement may provide a partial explanation.

[96] Penalties for the payment of " black-market wages " have been in force.

A " national wage policy " is often discussed in explicit terms. The basic idea behind the search for such a policy is that someone, somehow, has to make an estimate of the amount by which the wage bill can safely increase without danger of inflation or balance-of-payments difficulties. Formidable difficulties are, of course, encountered in forecasting the rise in national income that can be expected. Even if these problems can be satisfactorily resolved, still greater difficulties tend to emerge with respect to the way in which the increment should be distributed. In discussions of wages policy in this explicit sense it often seems to be tacitly assumed that the admissible limit for wage increases is to be calculated as the proportionate share of the expected increase in national income due to higher average productivity. Trade unions, when strongly organized, are not inclined to accept without qualification such a thesis, which implies that the share in total national income is unchangeable, or, more precisely, that the relationship between wage income and consumption out of profits cannot be changed in favour of the former. This assumption is all the more unlikely to be accepted under conditions of full employment when both industrial profits and incomes of the non-salaried middle classes—retailers, farmers, handicrafts, etc.— tend to be high. Moreover, though trade-union authorities may be prepared to agree that an advance of real wages at the expense of investment ought to be avoided, it is less clear that they would accept the implication that the maintenance of the level of investment necessarily means a correspondingly high rate of accumulation of private rather than of publicly owned wealth.

It is primarily in the United Kingdom and Sweden that attempts have been made to define the possible contents of a national wages policy, liable to lessen, if not eliminate, the danger of autonomous wage inflation. The suggestions put forward show some significant differences which are largely explicable in terms of the differences already pointed out in the organizational background and in attitudes to the closely related question of wage differentials.

In the United Kingdom, the general idea of a national wages policy is widely adhered to, but opinions differ as to the precise meaning of the term. Sometimes the implication seems to be that there would have to be outright statutory fixing of wages, but more often it seems to be implied that the Government, or a particular advisory board created for this purpose, would make authoritative declarations on the advance of wages which is thought to be permissible. Though such declarations would not be binding upon the parties to collective agreements, they might eventually take the form of definite instructions to arbitrators and courts of inquiry.

A further question on which opinions differ among the proponents of a national wages policy is whether the declarations—by the government or by a special advisory board—would be concerned only with the global increase in wages or also with the question of relative wages. Mrs. Wootton, for instance, stresses that, together with an authoritative statement on the total sum, or average percentage, by which wages and salaries can increase without adding to inflationary pressure, guidance must also be forthcoming on the consequential problem of distribution.[97] " Such guidance in principle might take the form of policy declarations that, in proposals for wage advances, priority should be given to rates below a level from time to time prescribed; and that any advances above this level should be tapered off . . .".[98] This approach seems to reflect both a preference for an egalitarian policy of relative wages and salaries for its own sake and a view that, in the United Kingdom, the lack of articulate policies with regard to relative wages is a main hindrance for an effective control of the general level of wages. A different view is put forward by Mr. A. J. Brown, who envisages an agreement between trade unions, employers and the government about the over-all increase in the level of wages leaving the sharing-out of the cake among the various categories of workers to be decided by bargaining—or struggle—among trade unions.[99] This would seem to

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[97] See Barbara Wootton, *The Social Foundations of Wage Policy*, London, 1955, Chapter VI.

[98] Barbara Wootton, op. cit., p. 177.

[99] " At the very least, the unions' functions in the field of wage bargaining would be changed largely from an industry-by-industry struggle for higher wages at the expense of the entrepreneurs and the consumers into a conscious struggle between workers in different industries for shares of a fixed, agreed, total increment. To this extent, the element of class struggle in wage negotiations would be diminished; it would,

(Continued on next page)

require important changes in the British trade union structure.

More generally, the whole discussion in the United Kingdom has as a commonly agreed point of departure the view that one basic pre-condition for a national wages policy, namely some centralization of authority within the trade-union movement, is lacking. Indeed, it often seems as if the search for a national wages policy amounts to no more than a proposal for co-ordination and centralization. Such a unification of wage claims would, it is argued, make persuasion for wage restraint possible.[100]

In this respect, the experience and, therefore, the starting-point for the discussion of a national wages policy is different in Sweden. As has been seen, the Swedish trade union structure differs from the British both by a high degree of synchronization of wage movements and by a greater concentration of power in the centralized trade union authority in matters of wage claims. But this has not prevented autonomous wage inflation from presenting grave problems in some periods. On the basis of this experience those discussing wage policies in Sweden could not avoid posing the question in a more uncompromising way. Somewhat pointedly, the difference may be expressed in these terms: rather than searching for measures by which trade unions voluntarily agree to show restraint in utilizing their bargaining strength, the problem of a national wages policy is to create conditions under which the fundamental aims of full employment and a more or less perfect stability of the price level can be effectively pursued while leaving the trade-union movement free not only of direct government control of wages but also of the obligation to display a restraint which would compromise their basic aim of raising the workers' share in the national product. The tendency has been to look for solutions to this problem through a closer integration of wage and fiscal policies. It may be warranted briefly to indicate the leading ideas of two different schemes that have been put forward.

The first of them was propounded some years ago by two economists, Gösta Rehn and Rudolf Meidner, both of them closely associated with the Swedish trade-union movement.[101] It starts out by formulating two fundamental conditions which must be fulfilled if a policy of wage restraint is to be at all acceptable to the trade unions: profits must not be high, and large wage differentials not corresponding to real differences in the nature of the work must not exist. The first of these conditions implies that over-all demand must be kept at such a level that general wage policy is not frustrated by " wage-sliding " at the enterprise level. In other words, excess demand for labour must be eliminated. The second condition requires a high degree of co-ordination of wage claims by the central trade-union authorities, so that the highly paid workers can be prevented from exploiting their bargaining position which is likely to be strong under sustained full employment.

The proposal is then made that, if the annually negotiated increase in the general level of wages were to exceed what would have been warranted by the increase in over-all productivity, the government should react by immediately raising indirect taxes to a corresponding extent. Profits would then be squeezed between higher wage costs and a consumer demand which, after allowance for the additional indirect taxes, would be no higher than would have been the case if money wages had increased *pari passu* with the increase in productivity.

This countering of excessive wage advances by fiscal measures would put a certain degree of deflationary pressure on the economy, with three further results: (1) the generosity of employers in granting wage increases would be checked, since it would no longer be certain that higher wage costs could be taken back in the form of higher sales prices; (2) the decline in profits would have as its counterpart an increase in government saving corresponding to the increased indirect taxation, so that no decline in the total resources available for investment would need to occur; this would also be required since (3) special government measures would be necessary to counteract localized unemployment which might appear as a result of the profit squeeze.[102]

It is not possible here to summarize the discussion which developed around this trade-union view of a possible method of combining full employment with relative monetary stability, pressure on profits, and

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presumably, be transferred from the field of wage bargaining to the more general political field, in which economic policy governing the size of profits would become a more explicit issue than at present." A. J. Brown, *The Great Inflation 1939-51*, London, 1955, pages 295-6.

[100] The view that centralization within the trade-union movement is desirable is not without exceptions, even outside the trade-union movement's own ranks. The need for a more centralized wage policy is questioned, for instance, in an article by E. H. Phelps Brown and B. C. Roberts, " Wages Policy in Great Britain ", *Lloyds Bank Review*, January 1952.

[101] See the contributions of Gösta Rehn and Rudolf Meidner to the symposium *Wages Policy under Full Employment*, ed. R. Turvey, London, 1952.

[102] To use the metaphor of the author: " Purchasing power should be pumped away so that the demand surface sinks. The islands of unemployment which then appear must not be flooded over again by re-raising the ' demand surface ' but instead must be removed." (Rehn, op. cit., p. 34).

maintenance of the rate of investment.[103] Obviously, this kind of policy would not be universally applicable and at most would be relevant only in countries where the trade-union movement is strong and unified, and where the labour movement is also politically influential.

The other scheme, similar in some respects, is of more recent date. It has been put forward by the Swedish economist Bent Hansen in a monograph,[104] published in 1955, which is part of the report of the Expert Committee on the Value of Money, appointed by the Government.[105]

The author starts out from basic assumptions similar to those of the scheme mentioned above: free wage bargaining is to be preserved, and detailed physical controls should be avoided. Stated in the broadest outline, the suggestion is that the Government should attempt to influence wage negotiations by making declarations about the changes in taxation which would be introduced in response to various alternative outcomes of these negotiations.[106] Since the Government has the possibility, within a certain range of variation of determining arbitrarily the real disposable income of workers, independently of the development of money wages, it should normally be possible to make an offer so attractive to the trade unions that they would prefer the level of money wages desired by the Government to any other level of wages, whether higher or lower. Thus, the author concludes, price stability could be preserved without appeals to the trade unions for restraint; these would be supposed to arrange their policy exclusively with a view to maximizing the standard of living of their members, though in this struggle tax bargaining with the Government would be largely substituted for bargaining over money wages with the employers.

All this may appear far-fetched, and the author does not fail to point out the serious difficulties which would in the best of cases be encountered. In particular, a scheme like this to be at all workable would require a higher degree of centralization and co-ordination than has so far been achieved within trade-union movements in western countries. Moreover, a high degree of regularity and refinement in economic forecasting would be a necessary condition.[107]

More generally, this proposal, as well as the other Swedish scheme referred to above, bears the mark of the very special institutional and political constellation in that country. Clearly, the appropriate solutions to the problems of wage inflation depend upon the historical, social and political factors in a particular country. There is not likely to be any single and simple answer and, *a fortiori*, it would be vain to look for a panacea universally applicable in the various countries of western Europe with their widely different labour market structures.

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[103] For a critical appraisal, see in particular Erik Lundberg, " A Critique of Rehn's Approach ", page 55 of the symposium quoted above.

[104] See Bent Hansen, *Finanspolitikens ekonomiska teori* (The Economic Theory of Fiscal Policy), Stockholm, 1955, pp. 296-353. See also, by the same author, " Finanspolitik og lønpolitik ", *Ekonomisk Tidskrift*, No. 4, 1950.

[105] This committee was appointed in 1951 with the task of reporting on the various aspects of maintaining price stability with full employment.

[106] A simplified example may serve to show what is involved: If a certain increase in productivity is expected, and if the trade unions want to pursue a wage policy which would give the workers the whole of the increase in the output of consumer goods, they would normally claim and, being in a strong bargaining position, possibly obtain, an increase in money wages over and above the percentage by which productivity is expected to increase. For instance, if hitherto one-half of total consumption has been out of wages and the other half out of profits, the trade unions might be expected to claim an advance in money wages by a percentage corresponding to double the percentage by which productivity is expected to increase. Such a wage policy, if carried through, would undoubtedly be frustrated by a subsequent rise in prices and profits.

Suppose instead that the Government, in sympathy with the trade unions' claim that the increased output of consumer goods should benefit only the workers, were to declare that if money wages remained unchanged, the following shifts in taxation would be carried out: the rate of indirect taxes of consumer goods would be raised so much as to leave the level of consumer prices unchanged in spite of the increase in productivity, and, at the same time, direct taxes would be lowered to the extent necessary to make total consumption expenditure increase at the same rate as productivity. If, moreover, the reduction of direct taxes were concentrated on the lower-income groups, the fundamental aim of the trade unions would have been met, with an unchanged level of nominal prices and wages and with over-all balance, hence full employment, preserved. It is important to note that the whole operation requires no increase in income tax for any group of incomes. On the contrary, the scheme presupposes that the Government is prepared to let income taxes for the lower income groups become negative, thus transforming them into a subsidy to income.

[107] The improvement of economic forecasting is not always considered to be wholesome from the point of view of avoiding wage inflation. For instance, the Netherlands Economic and Social Council in its majority report referred to above considers strictly periodical economic reports and forecasts to be undesirable because they might create artificial and unnecessary pressures in the formation of wages.

Chapter 6

CURRENT DEVELOPMENTS AND PROSPECTS IN THE SOVIET UNION AND EASTERN EUROPE

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1. The Soviet Union in 1955

The gross output of Soviet industry increased in 1955 by 12 per cent, about two-thirds of the increment being due to rises in productivity and one-third to an expansion of the industrial labour force. Both the rate of increase and the contribution of higher productivity were similar to the results achieved in the previous few years. There were, however, two important differences from the immediate past. In the first place, for the first time since 1950 the proportionate increase was greater in the producer-goods sector than in the consumer-goods sector. Second, as Table 78 shows, the rise in real wages lagged much behind the rise in productivity: in the third year of the Fifth Five-year Plan the reverse had been the case, and even in 1954 productivity had not increased much faster than real incomes.

Both these developments had been foreshadowed in the plan for the year and in the tone of official comment on it. The Party Central Committee at its January session had emphasized the need to re-introduce the preference to heavy industry normal before 1951 but allowed to lapse since then. Later in the year the Chairman of the Council of Ministers pointed out that, unless real wages could be prevented from outstripping labour productivity, there would be no margin for accelerating investment activity, which was desirable at this stage in Soviet development. In conformity with this attitude the reductions made in retail prices in 1955 were on a much smaller scale than in earlier years, being limited to cuts of around 20 per cent in the prices of television sets, gramophones, cameras and aluminium kitchen utensils in July and a further cut of 20 per cent in the prices of television sets in December. The unsatisfactory harvest of 1954, when grain output was only slightly increased and there were reductions in the output of sugar and vegetable oil, indeed left no margin for cuts in food prices in the first half of the year unless more foreign exchange was to be allocated to imports of foodstuffs. As a result, the volume of retail sales by state and co-operative shops showed only a 5 per cent increase. Sales in urban areas increased hardly more than the urban population, but in rural districts retail turnover increased by 6 per cent as a result of higher incomes of peasants in the months up to September, when, owing to the poor 1954 harvest, free market prices for agricultural produce were higher than in 1954.

Table 78

Productivity and real wages in the Soviet Union

Percentage increase on preceding year

	Average real wage of workers	Average real income of collective farmers	Labour productivity	
			Industry	Building
1949 . . .	12	14	13	. .
1950 . . .	15	19	12	. .
1951 . . .	10	10	10	10
1952 . . .	7	8	7	7
1953 . . .	10	13	6	4
1954 . . .	5	4	7	8
1955 . . .	3	7	8	10
1956 (Plan) .	. .	. .	8	10

Sources: Plan Fulfilment Reports; *Izvestia*, 27 December 1955, and *Pravda*, 15 January 1956.

In 1955, however, it was defence goods rather than capital goods which were planned to absorb an unusual proportion of the increment of industrial output. State expenditure on defence and on fixed investment were both planned to increase by 12 per cent. In the event, the volume of investment increased by only 6 per cent—less fast than in 1954 (see Table 128)—and fell short of the target figure by 5 per cent. During the year a cut of 640,000 was made in the size of the armed forces: it is not known, however, what effect this had on actual defence expenditure for the year.

Industrial output

This pattern of resource allocation was reflected in the composition of industrial output, which showed a 16 per cent increase in the output of producer goods and a 9 per cent increase in that of consumer goods. In 1954, when the rise in total production had been about the same as in 1955, both groups had expanded equally. The 1955 structure of output showed a very considerable over-fulfilment of the output plan for producer goods (which were to have increased by 12 per cent). The over-fulfilment was chiefly concentrated in electrical, transport and heavy engineering and to a slightly lesser extent in the oil, electric power, chemicals and motor vehicle industries. The main shortfalls on plan in heavy industry in 1955 were of pig-iron, sulphuric acid and railway rolling stock. The gross output of consumer goods was just about that planned, but over-fulfilments included such important items as textiles, footwear, dairy produce and vegetable oil. Surprisingly, the bumper sugar crop did not suffice for refineries to meet their plan, nor did the fisheries attain their expected catch.

Compared with 1954, the biggest proportionate increases (see Table XXX) took place in the output of oil products, machine tools, agricultural engineering (ploughs, potato planters and diggers excepted) and cement. Production of steam locomotives was cut back by 14 per cent in accordance with the programme to enlarge the share of diesel and electric traction. Increases in the consumer-goods industries took the form mainly of improvements in supplies of varieties in especial demand. Thus, within a 6 per cent increase of cotton textile production, the weaving of nap cloth increased by 65 per cent and of furnishing fabrics by 10 per cent, and within a 12 per cent increase of knitted outerwear that of pure wool garments expanded by 27 per cent. The development of the synthetic polymer industry, created during the previous few years, enabled the output of kapron (Soviet nylon) stockings to rise by nearly one-third, while hosiery production as a whole increased by 14 per cent.

For the first time since the early years of the Fifth Five-year Plan, the planned reduction of industrial costs was fully achieved: a fall of 4.7 per cent, against a planned reduction of 4.5 per cent, was registered. The main contributions to the cost decline in basic industry were better utilization of blast furnace capacity,[1] higher off-take of steel in open hearths (7¼ tons per square metre), lower fuel consumption (per unit generated) in electric power stations and a raising of the share of light fractions in oil refineries. The cost showing of manufacturing industry was not so favourable, but fewer enterprises exceeded their planned costs than in 1954. The Plan Fulfilment Report attributes the over-spending to excessive outlay on raw materials, fuel and power, and to losses on defective goods, rather than to above-plan wage payments, and in fact 1955 has seen the start of a major reform of the industrial wage structure. A check has been put on the decline in piece-rate working, on the narrowing of the spread between wage rates for different grades of work,[2] on the lag of piece-rate norms behind productivity [3] and on the proliferation of wage premia. A special State Committee directly under the Council of Ministers was created in May 1955 to overhaul the industrial wage system. A wholly revised wage structure in the building industry was introduced with effect from 1 January 1956 at the same time as other measures for a reduction in construction costs.

Agricultural output in 1955

The 1955 grain harvest in the Soviet Union as a whole was 22 per cent greater than that of 1954.[4] Whereas in 1954 the weather had been bad in the Ukraine and the south and good in the virgin lands of Siberia and Kazakhstan, in 1955 the situation was reversed: the weather in the traditional farming areas of the country—the European part—was good and for some crops excellent. On the other hand, in the Asian part of the country, where 20 million hectares of new land were sown, the spring was late and cold, and summer, when it came, brought severe drought, which hit the grain crop badly.

No full statistics have yet been published, but, so far as can be judged, grain yields on the new lands were little more than half those mentioned when the ploughing-up campaign was launched. The addition of 15 million hectares of virgin soil to the sown area in 1955 (5 million were already sown in 1954), which represented a 13 per cent increase on 1954 in the grain area,[5] brought one-third of the increment in the grain crop, and an increase of nearly one-sixth in yields on the old areas brought the other two-thirds.

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[1] For the first time, the ratio of blast furnace volume to output fell below 0.8.

[2] The ratio of the highest to the lowest wage rate changed as follows:

	1946	*1955*
Engineering	3.2 to 3.6	2.4 to 2.5
Oil	3.6	2.7
Chemicals	3.6 to 3.8	2.26 to 2.65

Source : Voprosy Ekonomiki, No. 8, 1955, p. 4.

[3] Thus, a worker in engineering has usually over-fulfilled his norm by 60 to 80 per cent, in chemicals by 40 per cent and in metallurgy by 35 per cent.

[4] Crop statistics, quoted by Mr. Khrushchev (reported in *Pravda*, 15 February 1956) in index number form, are reproduced in estimated absolute figures on page 192.

[5] The new land not sown to grain was exactly offset by transfers of old land to grain.

In the hope of considerably increasing the total grain crop in the European regions in 1955 by substituting maize in the same areas for the traditional crops,[6] the area sown to maize was increased from 4.3 million hectares in 1954 to 17.9 in 1955.[7] The additional hectares sown in 1955 were, however, farther north than the traditional maize lands, and the chances of the grain reaching maturity were in any event less—some was planted for silage—even if farmers had been more accustomed to its cultivation.[8] Until yield statistics for the various regions are published, no real assessment can be made of the net gain which may have resulted from the rapid introduction of maize into the established grain pattern. The fact that, after the results of the first year of large-scale cultivation were known, the Party Central Committee included in its draft directives on the Sixth Five-year Plan the 28 million hectare target for maize which it decided upon at the start of the campaign in January 1955 indicates continued official confidence in the present policy. In any event, maize planting is going hand in hand with a sizeable programme for constructing silos, so that there is sure to be a net improvement in fodder supplies from silage.[9]

The sugar beet crop was the biggest since 1937 and the flax and sunflower harvests were also good. Potato yields, however, were down. The bad weather in Central Asia had its repercussions on the cotton crop. A considerable increase in the area under cotton had been planned. But the late frost [10] destroyed most of the young shoots and, though much was replanted, the area under crop was in the end just about the same as in 1954 and, despite denser planting,[11] yields per hectare were lower than in 1954.

TABLE 79

Soviet livestock numbers at the 1 October census

Million head

		1953	1954	1955
Cattle :	Private	27.0	27.8	. .
	State	4.0	4.1	. .
	Collective . . .	32.0	33.0	. .
	Total	63.0	64.9	67.0
Of which :				
Cows :	Private	15.4	15.6	16.7
	State	1.4	1.6	1.7
	Collective . . .	9.2	10.3	10.8
	Total	26.0	27.5	29.2
Pigs :	Private	27.1	29.6	29.7
	State	2.8	2.9	3.2
	Collective . . .	17.7	18.6	19.2
	Total	47.6	51.1	52.1
Sheep :	Private	34.0	37.7	41.1
	State	9.4	9.7	10.2
	Collective . . .	71.5	70.1	73.6
	Total	114.9	117.5	124.9

Sources : Plan fulfilment reports.

The main object of recent livestock policy has been to increase yields rather than numbers. It is therefore perhaps not unexpected that, as Table 79 shows, the number of pigs on collective farms should have increased by only 3 per cent, though somewhat more surprising that the number of pigs on private plots should have remained constant. The number of cows rose by 5 per cent during the agricultural year 1954/55 (the number of privately owned cows rising more than the average [12]) and milk yields on collective farms were 16 per cent up on 1953/54.

2. EASTERN EUROPE IN 1955

The year proved to be a very good one for the eastern European economies. Industrial production increased faster than the plans for the year demanded and, except in eastern Germany, faster than in 1954. Personal consumption continued to increase—less fast than in 1954 but, thanks to the good harvests, with less strain on balances of payments. Except in Czechoslovakia and Hungary, fixed investment increased, as well as stocks. Cuts in defence expenditure were announced during the year. Important excep-

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[6] Mr. Mikoyan expressed his opinion that an average maize crop would yield 50 to 70 per cent more grain per hectare than other grains (election address to his Erevan constituents, March 1954). Mr. Khrushchev quoted figures to show that maize yielded more per unit of labour in terms of animal nutrient than any other fodder (*Pravda*, 3 February 1955).

[7] About half the new maize lands had previously been under other grains, and half under fodder crops, hay and grazing.

[8] See *Selskoe Khozyaistvo*, 19 November 1955, reporting the Minister of Agriculture on farmers' mistakes.

[9] Preliminary results showed that 6.3 million tons of maize were ensilaged in 1955 (*Izvestia*, 29 October 1955): this adds more than a tenth to normal supplies.

[10] In Tadzhikistan it was followed by torrential rain and hailstorms; altogether two or three resowings were needed over three-quarters of the plantations.

[11] Eighty per cent of the area sown was in 45×45 cm. rows, whereas in 1954 about the same percentage was sown in 70×70 cm. rows.

[12] The tax concession granted to private purchasers of cows does not extend beyond 1955.

TABLE 80

Indicators of industrial activity in eastern Europe

	1953 Actual	1954 Actual	1955		1956 Plan
			Plan	Actual	
	Percentage increase (+) or decrease (–) compared with previous year				
Albania					
Gross output	+22	+11	+10	+13	+11
Bulgaria					
Gross output	+12	+9	+7	+10	+12
Of which:					
Producer goods	+23	+16	..	..	..
Consumer goods	+4	+3	+6	..	..
Employment of workers in industry	+5	+7	+4	+2	+4
Gross output per worker in industry	+7	+2	+3	+8	+8
Cost of production	–3	–4 [a]	–3	–4	–4
Czechoslovakia					
Gross output	+10	+4	+9	+11	+9
Of which:					
Producer goods	+5	+4	+9	..	+10
Consumer goods	+19	+5	+9	..	+7
Employment of workers in industry	+3	+2	+1	+2	+2
Gross output per worker in industry	+7	+2	+8	+8	+7
Cost of production	..	–2	–4	–4	..
East Germany [b]					
Gross output	+12	+10	+6½	+8	+9
Of which:					
Heavy industry [c]	+14	+10	..	+9	+11
Light and food industries	+9	+10	..	+7	+5
Employment of workers in industry	+7	+5	0 [d]	0	..
Gross output per productive worker in industry	+9	+4	+7 [d]	+8	+9 [d]
Cost of production	..	–2 [d]	–4 [d]	–5 [d e]	–5 [d]
Hungary					
Gross output	+11	+3	+6	+8	+6
Of which:					
Heavy industry	+18	–6	+4	+7 [f]	+10
Light industry	0	+5	+7	+9 [f]	–4
Food industry	+10	+13	+6	+9 [f]	+10
Employment of workers in industry	+11	+3	+2	+2	+2
Gross output per worker in industry	+1	+1	+4	+6	+5
Cost of production	..	..	–3	–3	–3
Poland					
Gross output	+18	+11	+9	+11	+7
Of which:					
Producer goods	+17	+11	+6	..	+7
Consumer goods	+19	+11	+11	..	+7
Employment of workers in industry	+6	+4	+3	+4	..
Gross output per worker in industry	+11	+7	+5	+6	..
Cost of production	–4	–2	–3	–3	..
Rumania					
Gross output	+14	+7	+6	+14	+10 [g]
Of which:					
Producer goods	+17	+4	..	+16 [f]	+11 [g]
Consumer goods	+11	+11	+10	+10 [f]	+9 [g]
Employment of workers in industry	+16	+4	..	+3	..
Gross output per worker in industry	–2	+3	..	+11	..

Sources : Plans and plan fulfilment reports. For figures in earlier years, see Table XXXV, page 103, *Economic Bulletin for Europe*, Vol. 6, No. 2; Table IV, p. 30, Table 7, p. 90, Table II, p. 96, *Economic Bulletin for Europe*, Vol. 7, No. 2; and Table 15, p. 27, *Economic Bulletin for Europe*, Vol. 7, No. 3.

[a] Plan.

[b] Revised index.

[c] Basic materials and metal-using industries.

[d] Nationally owned industry under central control only.

[e] Eleven months only.

[f] Provisional.

[g] Average rate of the Second Five-year Plan (1956-1960).

tions to the generally good record were the slow progress of the Czechoslovak house-building programme and supply difficulties in the case of meat and potatoes in most countries.

Industrial production

The rates of increase of industrial production varied from 8 per cent in eastern Germany to 13 to 14 per cent in Albania and Rumania.[13] It will be seen from Table 80 that the greater part (in eastern Germany the whole) of the extra output came from increases in output per man, which, at 8 per cent, were particularly remarkable in Bulgaria, Czechoslovakia and eastern Germany. Expansions of the industrial labour force were small by comparison with earlier years; in eastern Germany there was even an exodus of 30,000 workers to agriculture.[14] In general, too, it seems that the target reductions in money costs of production were achieved and that wage-bills increased less than output: in Czechoslovakia this had not happened for several years.

One reason for the better all-round performance in industry lay in governments' success in widening the energy bottleneck. In most countries electric power production increased faster than total industrial production—and, except in eastern Germany, for the second year in succession. The average increase in the output of electricity was about 12½ per cent—except in Czechoslovakia greater than in 1954 and notably greater in eastern Germany, where the shortage of electricity had been particularly serious (see Table 81).

Coal and lignite production in the area as a whole increased, as in 1954, by about 14 million tons in terms of hard coal equivalent, but whereas in 1954 the largest increase had been in Czechoslovakia, in 1955 it was in eastern Germany that the biggest stride forward was made. It seems that the development of the new brown-coal field in eastern Germany will soon have solved that country's fuel problem.[15] In Czechoslovakia, on the other hand, coal continues to be the main limiting factor on production, and in Poland the export surplus is dwindling and considerable investment will evidently be needed if it is not to be wiped out in a few years. In both these countries, therefore, increased attention has recently been devoted to fuel economy: the proportion of electricity which is generated from low-quality fuel has been expanded, and more industrial boilers have been adapted to its use. In Rumania, where the output of oil continues to expand satisfactorily, there has been a notable substitution of oil residues [16] for coal on the railways: coal consumption was reduced from 1.19 million tons in 1951 to 0.92 million in 1955; consumption of oil residues, meanwhile, increased from 0.27 million tons to 1.08 million tons.

Partly, no doubt, because of the improvement in the coal position, the output of cement, which in Hungary and Rumania had been cut back sharply in 1954, expanded in all the countries in 1955, and altogether an extra 1.7 million tons were produced.

Similarly, eastern Europe's output of crude steel, which had on balance gone up by only 300,000 tons in 1954, increased by 1.1 million tons in 1955, in part as the result of the commissioning of new plant and in part as the result of improvements in the techniques employed in existing capacity. The continued rapid rate of growth in Poland is particularly striking: a few years ago, Poland's output of steel was only about one-third of Czechoslovakia's, now it is almost equal to Czechoslovak output.

The two countries where the supply situation of the basic products so far mentioned improved most dramatically during the year were undoubtedly Hungary and Rumania, where 1954 had been a bad year for heavy industry.

Relatively less data for eastern Europe as a whole are available on the fabricating industries.[17] The production of chemicals seems to have increased faster than industrial output in all the countries of eastern Europe. The output of sulphuric acid increased by about 10 per cent in eastern Germany and Poland. Production of nitrogenous fertilizers and of the synthetic fibre, stylon, was up by 50 per cent in Poland. There were sizeable increases in the output of caustic soda and soda ash in both eastern Germany and Poland. An index of the production of chemicals as a whole is available, however, only for Poland:

Index of chemical production in Poland

Previous year = 100

1950	*1951*	*1952*	*1953*	*1954*	*1955*
132	131	126	118	117	114 [a]

Source: Przegląd Chemiczny, No. 3, 1955.

[a] Provisional.

Engineering output increased considerably in Hungary, after the recession of 1954. In Poland the

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[13] For details on the production of the commodities for which output series in physical units are available, see Tables XXXI to XXXVII.

[14] *Neues Deutschland*, 4 February 1956.

[15] See SURVEY for 1954, p. 47.

[16] Agglomerated oil-tar and coal dust.

[17] At the time of going to press, plan fulfilment reports for 1955 had been published in Bulgaria, Hungary, Poland and Rumania.

TABLE 81

Output of basic commodities in eastern Europe, 1953-1955

	Percentage distribution of output in 1953	Percentage change in		
		1954	1955	1956 (Plan)
Electric power				
Bulgaria	2.7	+11	+19	+13
Czechoslovakia	20.7	+10	+10	+10
Eastern Germany	40.4	+7	+12	..
Hungary	7.7	+5	+13	+9
Poland	22.9	+13	+15	..
Rumania	5.7	+9	+16	..
Total	100.0	+9	+12½	..
Total in million MWh	59.9	65.4	73.8	
Coal and lignite				
Bulgaria	1.2	+7	+15	+13
Czechoslovakia	21.0	+6½	+9	+9
Eastern Germany	27.4	+5	+10	..
Hungary	3.2	+1	+4	+8
Poland	46.4	+3	+3	..
Rumania	0.8	+1	+10	..
Total	100.0	+4	+6½	
Total in million tons (hard-coal equivalent)	195	203	217	
Crude oil				
Albania	1.8	+17	+12	..
Czechoslovakia	1.7	+3	0	..
Hungary	7.6	+50	+33	+7
Poland	2.3	0	−2	..
Rumania	86.6	+7½	+8	..
Total	100.0	+11	+10	
Total in million tons	10.5	11.7	12.9	

	Percentage distribution of output in 1953	Percentage change in		
		1954	1955	1956 (Plan)
Pig-iron				
Czechoslovakia	37.3	0	+7	+13
Eastern Germany	14.7	+18	+15	..
Hungary	9.3	+14	..	..
Poland	32.0	+13	+17	..
Rumania	6.7	−5	+33	..
Total	100.0	+6½	+13½	
Total in million tons	7.5	8.0	9.1	
Crude steel				
Czechoslovakia	35.5	−2	+4½	+13
Eastern Germany	17.7	+5	+9	..
Hungary	12.1	−4	+9	..
Poland	29.0	+10	+12	..
Rumania	5.7	−13	+22	..
Total	100.0	+2	+8½	
Total in million tons	12.4	12.7	13.8	
Cement				
Bulgaria	6.0	+11	+4	+7
Czechoslovakia	15.7	+10	+13	+9
Eastern Germany	20.5	+8	+12	..
Hungary	9.4	−9	+24	..
Poland	28.2	+3	+12	..
Rumania	16.0	−16	+28	..
Total	100.0	+1½	+14	
Total in million tons	11.7	11.9	13.6	

Sources: Tables XXXI-XXXVII.

production of most engineering items for which quantity figures are available increased only slightly, but there were notable increases in the output of the new shipbuilding industry which has grown up since the war, and in the output of agricultural machinery, motor-cycles, bicycles and wireless sets. Eastern German engineering production increased by 7 per cent, a somewhat smaller rise than in 1954. It seems to have been a general feature in all the countries that in engineering the expansion of output was concentrated on goods in high demand on eastern European markets—ships in Poland, generating equipment in eastern Germany, and agricultural machinery and durable consumer goods, including motor-cars, in all producing countries—while the output of machine tools increased much less.

The output of cotton textiles increased by 5 to 10 per cent in Bulgaria, Hungary and Poland, and in Hungary there was a further considerable expansion of the production of woollen cloth and leather shoes [18] —both hitherto scarce commodities, particularly in the higher-quality ranges—as a result of the more liberal import policies pursued until the recent restoration of preference to heavy industry. In general,

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[18] In 1955, Hungarian production of woollen cloth was 60 per cent, and of leather footwear 32 per cent, above the 1953 levels.

TABLE 82

Harvest results in eastern Europe

Millions of tons

	1953	1954	1955
Bulgaria			
Bread grain	2.7	2.4	3.0 [a]
Coarse grain	1.6	1.6	2.0 [a]
Czechoslovakia			
Wheat	5.0	1.2	1.5
Rye		0.9	1.0
Maize		..	0.4
Barley		1.2	1.4
Oats		..	1.0
Eastern Germany [b]			
Wheat	6.5	1.2	1.3
Rye		2.6	2.5
Coarse grain		2.4	2.8
Hungary			
Bread grain	2.8	2.3	2.7
Coarse grain	3.4	3.3	3.7
Potatoes	2.0	2.3	2.1
Sugar beet	2.7	2.3	2.2
Poland			
Wheat	1.9	2.0	2.2
Rye	6.2	5.9	7.4
Coarse grain	..	..	3.7
Sugar beet	6.9	7.0	7.3
Rumania			
All grains	..	9.0 [c]	12.0 [c]
Sugar beet	1.3	..	2.0

Sources : For Czechoslovakia, eastern Germany and Poland, information directly communicated by governments; for Rumania: *Munca* 26.12.1955; for Hungary: plan fulfilment report.

NOTE. — For Albania see Table XXXVII.

[a] Provisional.

[b] Official estimates on the basis of " biological yield ", not comparable with the figures published in the SURVEY for 1954, p. 41.

[c] The figures are apparently not consistent with those released for previous years, and in particular with the 1949-1953 average published in the SURVEY for 1954, p. 48.

however, textiles, except the better qualities, expanded much less quickly than metal consumer goods and furniture.[19]

Agricultural output in 1955

Harvests were generally good in 1955 all over eastern Europe. The grain crop (see Table 82) was everywhere better than during the last few years and, indeed, except in Czechoslovakia and eastern Germany, was better than in any of the post-war years, as well as being above the average for the five years 1934-1938—for the first time since the war in Hungary and Poland and apparently also in Rumania.[20]

Bread grain harvests in Poland

Barn yield in thousands of tons

	Average 1934-38 [a]	*1955*
Wheat	1 960	2 180
Rye	6 850	7 350

Source : *Plan odbudowy gospodarczej*, Warsaw, 1947, p. 10, and data supplied to the secretariat by the Government of Poland.

[a] Post-war boundaries.

The increase in grain harvests was due only in small part to changes in the total area sown to grain, which even decreased slightly in eastern Germany,[21] and mainly to increases in yields resulting largely, of course, from more favourable weather conditions, but also in part from better farming and bigger supplies of fertilizers:

Increases in yields of grain per hectare in 1955 over 1954

Percentages

	Bulgaria	*Czechoslovakia*	*Eastern Germany*	*Hungary*	*Poland*	*Rumania*
All grains	..	..	13	..	15	30
of which :						
Wheat	23	33	18	20	..	..
Rye	24	19	8		..	..
Maize	56	..	..	4	..	35
Barley	..	13	..	22	..	..
All coarse grain	..	..	15	..	..	..

Sources : Bulgaria and Czechoslovakia: data supplied to the secretariat by the governments. Eastern Germany, Hungary and Poland: plan fulfilment reports. Rumania: *Scînteia*, 24 December 1955.

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[19] The following figures for eastern Germany, where a lack of demand has actually forced down the output of textiles and shoes, probably present an extreme case of this:

Volume of production in the first three quarters of 1955

Corresponding quarter of 1954 = 100

	I	II	III		I	II	III
Motor-cars	158	123	96	Furniture	118	113	113
Motor-cycles	144	204	154	Woollen cloth	105	84	64
Sewing machines	136	112	102	Cotton cloth	106	100	100
Household electrical appliances	187	145	154	Knitwear	103	99	84
				Leather shoes	95	91	88

Source : *Statistische Praxis*, No. 1, 1956.

[20] It is, however, difficult to reconcile the statistics for recent years in Rumania. According to a declaration of Mr. Gheorghiu-Dej, first secretary of the Party, in the five years 1949 to 1953 the grain harvest averaged 4.53 million tons (*Scînteia*, 23 August 1954). A year later he stated that in the five years 1951 to 1955 the harvest averaged 8.7 million tons, and that in 1954 and 1955 it was 9 and 12 million tons respectively (*Scînteia*, 24 December 1955). This last statement implies an average of 7.5 million tons for the three years 1951 to 1953 and, taken in conjunction with the earlier statement, an average of 0.1 million tons in the two years 1949 and 1950. It is evident that there has been a radical change in the methods used to estimate harvests, but it is impossible to measure its effect.

[21] From 2.66 million hectares in 1954 to 2.5 in 1955. Figures for Czechoslovakia, Hungary, Poland and Rumania were given in the *Economic Bulletin for Europe*, Vol. 7, No. 3, p. 24, Table 12.

On the other hand, the potato crop is reported to have been more than 20 per cent below the good crops of 1954 in eastern Germany, and about 8 per cent down in Hungary, and to have been below the average of recent years also in Czechoslovakia and Poland.[22] This was only in part due to weather conditions. Two other closely connected factors of a longer-term nature played a role. First, manpower continues to be short at the harvest period. On state farms in particular, and to a lesser extent on co-operative farms, seasonal manpower from the towns is needed to lift the potatoes.[23] Second, shortage of manpower at other periods made it difficult to check the spread of the Colorado beetle, which now extends over the whole of eastern Germany and the western parts of Poland and Czechoslovakia.

It is undoubtedly partly because of the difficulties experienced each year in harvesting potatoes, a very important fodder crop in the northern countries, that the area sown to maize is being expanded in countries where it has hitherto been almost unknown.

Pig breeding continued to expand all over eastern Europe, and the number of pigs—which increased by 7 to 8 per cent in eastern Germany and Poland and by as much as 18 per cent in Hungary—was in several countries at or above the previous post-war peak and in all the countries greater than it had been in the late ’thirties, in eastern Germany even 50 per cent higher than the average of the years 1936-38. The domestic fodder basis for this expansion in population is, however, still precarious, and in some countries inadequate. In Hungary the plan for 1956 counts on a small decrease in the number of pigs, and the five-year plan for Rumania does not envisage any significant increase. The poor potato crop of 1955 in Poland, which forced up potato prices on the free market, quickly diminished farmers’ interest in pig breeding and increased the slaughter rate until the Government raised prices for contractual deliveries of pigs by about 10 per cent. In eastern Germany the effects of the bad potato harvest of 1955 on the fodder balance may be even more serious unless they are offset by increased imports of coarse grains.

The number of cattle remained more or less constant in eastern Europe (see Table 83). This was in conformity with the plans of governments, which all aim at increasing the yields of animals rather than their numbers. In several countries milk yields have increased. The picture is less good in the case of meat yields. In Hungary, slaughter weights continued to fall: the average live weight of slaughtered cattle was 418 kg. in 1950, 409 kg. in 1954 and 388 kg. in 1955. In Poland there had been some improvement—in 1954, 39 per cent of the cows slaughtered were classed in the lowest weight category, as compared with 43 per cent in 1953—but the situation remained unsatisfactory, in part because of the smallness of the premia offered for higher quality animals. As a remedial measure, the effects of which cannot yet be seen, the prices paid by the Polish Government procurement agencies for cattle of medium and high quality delivered over and above the obligatory quotas were recently raised by 40 to 100 per cent.[24]

TABLE 83

Livestock numbers in eastern Europe

Million head

	Cattle		Pigs
	Total	Of which cows	
Czechoslovakia			
1 January 1954	3.84	2.18	3.46
1 January 1955	3.84	1.92	4.09
1 January 1956	3.89	..	4.77
Eastern Germany			
1 December 1953	3.80	2.02	8.21
1 December 1954	3.79	2.06	8.37
1 December 1955	3.76	2.10	9.01
Hungary			
1 March 1954	1.93	0.92	4.45
1 October 1954	..	..	6.80
1 March 1955	1.96	0.90	5.80
1 October 1955	.. [a]	.. [a]	8.00
Poland			
1 July 1954	7.7	..	9.79
1 July 1955	7.9	5.5	10.90
Rumania			
December 1952	4.8	..	3.5
December 1953	4.6	..	3.6
December 1955	4.8	..	5.6

Sources : Plan fulfilment reports; data supplied by the Central Statistical Office of Eastern Germany; and *Neues Deutschland*, 4 February 1956; *Munca*, 26 December 1955; *Szabad Nép*: 9 and 11 June, 9 August 1955; *Rudé Právo*, 1 July and 3 September 1956; *Nowe Drogi*, No. 7/1955, p. 44; *Trybuna Ludu*, 11 February 1956.

NOTE. — For figures for earlier years, see SURVEY for 1954, Table LXII, p. 271, and *Economic Bulletin for Europe*. Vol. 7, No. 3, Table II, p. 23.

[a] Some increase over the previous year.

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[22] Bulgaria is an exception: potato yields per hectare in 1955 were two-thirds higher than in 1954.

[23] The same is true of sugar beet.

[24] See *Gospodarka Mieşna*, No. 1, 1956, p. 3.

Personal consumption in eastern Europe in 1955

Personal consumption in eastern Europe continued to increase in 1955, but at a slower rate than in the previous year. The improvement of 1954 had, however, been of a quite exceptional kind. The relatively good harvest of 1953 had coincided with a more liberal policy towards the importation of consumer goods, and of materials for their production, and with a willingness of governments to run down stocks in the interest of restoring standards of living to the level reached before the strain of investment and defence expenditure brought them down in 1952 and 1953.

After the bad harvests of 1954 there was a need to maintain imports merely in order to maintain existing standards, but there was little room for a further increase. This situation was discounted in advance by governments, as can be seen from the very limited scope of reductions in retail prices in 1955 (which covered mainly manufactured goods, often more expensive ones) and from the importance attached to keeping increases in wages in check. For only one country are figures of real wages available for the two years 1954 and 1955:[25] in Poland, official figures show that there was a rise of 7 per cent in the average real wages of employed persons, as compared with an increase of 13 per cent in 1954 (see Table 84, below), which itself, however, as Table 85 illustrates, still left per capita consumption of a number of foodstuffs and other consumer goods below the levels reached a few years earlier.[26]

Indices of the volume of retail sales give only imperfect guidance as to movements of personal consumption as a whole. On the one hand, only one-half to two-thirds of the goods and services consumed by the population go through retail shops. On the other, goods sold at retail include some producer goods—tools, building materials, etc.—particularly in the countryside. Subject to these generalizations, however, the figures of retail sales—which are the only indication of consumption available for most countries—seem to indicate the same trend.

Volume of retail trade turnover in eastern European countries

Previous year = 100

	1953	*1954*	*1955*	
			Plan	*Actual*
Bulgaria	111	..	..	112 [a]
Czechoslovakia	..	120	105	111
Eastern Germany	110	114	106	107 [b]
Hungary	110	121	107	105
Poland	106	118	111	111
Rumania [c]	126	115	118	110

Sources : Plans and plan fulfilment reports; *Rudé Právo*, 10 February 1956.

[a] Urban areas only. The corresponding figure for rural areas was 116.
[b] Current prices.
[c] State and co-operative shops only.

The composition of the increased sales differed considerably from country to country. In Poland, Rumania and Bulgaria, food sales increased faster than sales of manufactures. In Czechoslovakia and eastern Germany, increases in sales of durable goods were more important, and there was a shortage of

TABLE 84

Real and money wages in Poland

	1949	1950	1951	1952	1953	1954	1955 [a]
Average numbers employed in the socialist economy [b] (thousands)	4 354	5 153	5 631	5 893	6 272	6 515	6 784
Average gross monthly wage (zloty)	466	567	625	689	968	1 029	1 077
Average net monthly wage (zloty)	447	541	592	644	911	967	1 010
Index of average net money wages	100	121	132	144	204	216	226
Index of prices of consumer goods and services [c]	100	108	118	135	192	181	177
Index of average real wages	100	112	112	107	106	120	128

Source : Trybuna Ludu, 3 February 1956.

[a] Provisional.

[b] Wage- and salary-earners in state and co-operative enterprises (excluding members of agricultural co-operatives).

[c] A Paasche index on a chain base.

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[25] In Bulgaria it is officially stated that average real wages increased by 30 per cent from 1953 to 1955, but it is not known how this increase was distributed over time.

[26] The official indices of real wages in eastern European countries are obtained by dividing an index number of average net money earnings by a chained Paasche index number of the prices of consumer goods and services. Using the usual notation and neglecting personal saving they can thus be written $\Sigma p_0 q_1 / \Sigma p_0 q_0$, where the p's and q's refer to consumer goods and services. In periods where there are appreciable changes in the composition of consumption such a Laspeyres quantity index is likely to show a bigger increase or a smaller decrease than indices of real wages of the type calculated in western countries.

TABLE 85

Consumption per head of selected commodities in Poland

	Unit	1949	1950	1951	1952	1953	1954
Grain [a]	Kg.	163.3	165.8	160.4	160.5	163.3	166.0
Meat and animal fats		28.9	38.4	38.6	33.7	36.3	37.7
Of which : Lard		4.3	6.2	5.8	5.2	5.5	5.7
Dairy products [b]	Litre	278.7	292.5	318.8	313.4	310.9	322.6
Of which : Butter	Kg.	2.7	3.3	3.9	4.0	4.0	4.6
Eggs	Piece	116	116	127	130	125	135
Sea fish	Kg.	2.1	2.0	2.8	3.5	3.3	3.8
Of which : Herrings		1.8	1.3	1.3	1.1	1.6	1.8
Vegetable oil		1.3	1.7	1.7	1.9	1.8	1.8
Sugar		19.3	21.0	24.9	22.4	19.9	22.4
Beer	Litre	10.4	13.9	15.0	16.4	19.0	19.6
Cigarettes	Piece	893	1 063	1 120	1 169	1 204	1 278
Woollen fabrics	Metre	1.8	2.1	2.2	2.3	2.3	2.2
Cotton fabrics		13.4	14.6	16.2	15.9	15.3	16.1
Silk fabrics		1.8	1.9	2.4	2.6	2.2	2.5
Leather soles	Kg.	0.5	0.5	0.6	0.5	0.5	0.6
Leather footwear	Pair	0.5	—	—	—	0.8	0.9
Of which : Factory production		0.4	0.7	0.6	0.6	0.6	0.7
Paper [c]	Kg.	10.2	11.7	12.6	12.4	11.9	12.8
Of which : Newsprint		2.1	2.4	2.4	2.4	1.9	1.9
Soap		1.7	1.9	2.3	1.9	1.8	1.9
Washing powder		1.3	2.0	3.0	2.1	1.9	2.5

Source : Trybuna Ludu, 3 February 1956.

[a] In flour equivalent.

[b] In milk equivalent.

[c] Excluding cardboard.

meat and fats. In spite of a rise in real income, the per capita consumption of meat hardly increased in 1955 in eastern Germany, largely because of a cut in imports.[27] Hungary was in an intermediate position between these two groups of countries: sales of food and manufactures increased at an equal rate. The increase of 5 per cent in meat supplies was not, however, big enough to satisfy the demand.[28]

Index of sales of meat in Hungary

1950 = 100

	To the population	*To factory canteens*
1951	92.1	100
1952	105.8	114.2
1953	122.9	228.5
1954	115.1	257.1
1955	119.7	278.2

Source : Szabad Nép, 8 January 1956.

The increase in retail sales of manufactured goods continued to be faster in the countryside than in towns. In Poland total sales by village co-operative shops increased in 1955 by 12 per cent above the already increased volume of the previous year, a high proportion of the goods sold being footwear and textiles.[29] In the Czechoslovak countryside, purchases of building materials were five times as great as in 1954 and purchases of durable goods were also considerably up :[30] in Bulgaria, too, peasants bought a greatly increased quantity of building materials. In Hungary, the turnover of farm trading co-operatives was 15 per cent greater in the first half of the year than the corresponding period of 1954, and the turnover plans for the second half of the year provided for a further rise in sales of textiles, consumers' manufactures, farm tools and fertilizers.[31]

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[27] The volume of sales of meat and meat products to consumers by shops and restaurants even declined slightly:

(1950 = 100)

1951	*1952*	*1953*	*1954*	*1955*
129	182	209	231	221

Sources : Statistische Praxis, No. 1, 1956, and *Neues Deutschland,* 4 February 1956.

[28] The production of pork in Hungary was up by 10 per cent in 1955 and the production of beef slightly down. Total supplies were thus greater in spite of a decrease in imports.

[29] *Trybuna Ludu,* 5 December 1955.

[30] The following indices of sales in the rural areas of Czechoslovakia in 1955 are indicative: (1954 = 100): motor-cycles 450, watches 250, bricks 400, refrigerators 200, cement 550 (*Rudé Právo,* 9 December 1955).

[31] Some of the expansion may be due to a transfer of sales from state shops to co-operative shops, the number of which increased by 3,000 during the last two years. (*Szabad Nép,* 27 June 1955.)

The greatest change in 1955, however, was the changed nature of consumer demand, itself a reflection of the improvement in standards of living achieved since 1953. In the past, supplies of textiles had normally been bought up almost irrespective of their appearance and quality. During 1955, the textile market was transformed into a buyers' market not only in highly industrialized countries such as eastern Germany [32] and Czechoslovakia, but also in Hungary,[33] Poland,[34] and Rumania. In all the countries of eastern Europe stocks of out-moded or low-quality textiles piled up and special sales at low prices were needed to clear them. On the other hand, supplies of durable consumer goods produced by the engineering industries were in general below actual demand in spite of the considerable increase in their production noted above.

Housing construction also continued to lag far behind needs. In most countries it increased somewhat above the previous year's level and was reasonably in accord with plans for the year. In Czechoslovakia, however, the number of dwellings completed fell behind the plan, even after this had been adjusted downwards. As will be seen from the table below, the authorities are not hoping for much improvement in 1956.

State housing construction in Czechoslovakia

Thousands of dwellings

1953	Actual	30
1954	Plan	40
1954	Actual	28
1955	Plan published in August 1954	48
	Plan published in March 1955	37
	Actual	35
1956	Plan published in January 1956	39

Sources: Plan fulfilment reports, *Sbirka Zakonu RČS*, No. 2, 1954; *Rudé Právo*, 15 August 1954, 3 February and 22 March 1955.

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[32] The burden of unsold stocks of textiles in eastern German trade was such that only 50 per cent of current production could be covered by firm contracts. Just before Christmas, unprecedented large-scale special sales were launched in the state shops and the President of the recently created State Committee for Trade and Supplies declared that the sale of unplanned stocks was a battle to be fought by all trading organizations.

[33] In Hungary, total retail stocks (including stocks of food) increased from 9 billion forints in October 1954 to 14 billion in October 1955, when they amounted to the equivalent of four months' sales (*Szabad Nép*, 16 November 1955).

[34] In Poland there are considerable stocks of outmoded or low-quality textiles which cannot be sold. The prices of these textiles are at present being reviewed and substantially decreased. In order to dispose of unsaleable stocks, shops often sell the goods in demand only on condition that unwanted goods are also bought (*Trybuna Ludu*, 18 January 1956).

3. THE FOREIGN TRADE OF THE SOVIET UNION AND EASTERN EUROPE

Changes in pattern

During the past two years there have been considerable changes in both the volume and the pattern of the foreign trade of the Soviet Union and eastern Europe. Until 1953 [35] the increases in these countries' trade had for several years been made up almost entirely of increases in trade with their partners on what has been called the "eastern world market".[36] Only eastern Germany, whose trade was very small for some years after the war, had significantly increased its trade with western countries since 1948. The Soviet Union had somewhat reduced its trade with countries outside the eastern world market over this period, and Czechoslovakia's trade turnover with such countries had been cut by more than one-half.

In 1954, there was, as Table 86 shows, a considerable increase in trade with the west—by 20 per cent in the case of Czechoslovakia, and as much as 30 to 35 per cent in the case of eastern Germany and the Soviet Union. Meanwhile, trade between the Soviet Union and eastern European countries continued to increase, but at a diminished rate (11 per cent as compared with 17 per cent in 1953); the Soviet Union's trade with its Asian partners in the eastern world market seems, however, to have decreased. Trade within eastern Europe showed little change, while there was a continued expansion, particularly in the case of eastern Germany, in trade with the Asian members of the eastern group.

It is still too early, especially in the absence of figures for the Soviet Union on the development and distribution of its total trade,[37] to fill in the picture for 1955. Fragmentary data available for a few eastern European countries indicate, however, that their trade with the west continued to grow in im-

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[35] See SURVEY for 1954, Chapter 5, for a detailed study of the development of the trade of the Soviet Union and eastern Europe up to the end of 1953.

[36] The "eastern world market" (or "eastern" countries) includes Mainland China, Outer Mongolia and North Korea in addition to the Soviet Union and the countries of eastern Europe. For convenience, countries other than these are in this section referred to as "western" countries (or "the west"), which are in turn divided into "western European" countries (including Yugoslavia) and "overseas" countries.

[37] Its trade turnover with western countries appears, on the basis of their statistics, to have shown little change in 1955, a rise in its exports being just about offset by a decline in its imports (see Table 86 and Table VI).

TABLE 86

Distribution of the trade turnover of countries in the eastern world market

Exports plus imports — millions of current dollars

Year	Soviet Union								
1952	670	Eastern Germany							
1953	940								
1954	1 100								
1952	610	100	Czecho-slovakia						
1953	660	130							
1954	720	150							
1952	530	220	150	Poland					
1953	540	240	190						
1954	660	270	150						
1952	280	70	150	(80)	Hungary				
1953	330	90	150	(80)					
1954	(280)	100	120	50					
1952	290	50	80	(20)	(20)	Rumania			
1953	300	60	120	(20)	(30)				
1954	(330)	70	100	20	(30)				
1952	160	30	30	(20)	20	10	Bulgaria		
1953	190	40	60	(20)	20	10			
1954	200	60	50	20	20	10			
1952	2 540	470	510	490	340	180	110	Eastern Europe (excl. USSR)	
1953	2 960	560	670	550	370	240	150		
1954	(3 290)	650	570	510	(320)	230	160		
1952	1 560	90	130	30	20	—	—	270	Trade with other countries in the eastern group [a]
1952	1 790	140	150	40	40	—	—	370	
1954	(1 610)	210	160	50	50	—	10	480	
1952	4 100	1 230	1 250	1 050	640	470	270	4 910	Trade with all countries in the eastern group
1953	4 750	1 640	1 460	1 130	740	540	340	5 850	
1954	4 900	1 960	1 450	1 220	(660)	560	370	6 220	
1952	640	240	270	430	130	70	30	1 170	Trade with western Europe [b]
1953	660	310	220	390	110	90	50	1 170	
1954	830	460	260	370	160	90	40	1 380	
1952	460	190	220	120	130	10	—	670	Trade with overseas countries [c]
1953	340	200	190	90	120	10	—	610	
1954	520	210	230	180	130	20	—	770	
1952	1 100	430	490	550	260	80	30	1 840	Trade with all countries in the western group
1953	1 000	510	410	480	230	100	50	1 780	
1954	1 350	670	490	550	290	110	40	2 150	
1952	5 200	1 660	1 740	1 600	900	550	300	6 750	Trade with all countries
1953	5 750	2 150	1 870	1 610	970	640	390	7 630	
1954	6 250	2 630	1 940	1 770	(950)	670	410	8 370	

Source : See Appendix C.

[a] Mainland China, Outer Mongolia, North Korea and Albania.

[b] According to trade statistics of western European countries. Trade between eastern and western Germany is included.

[c] Obtained by difference.

portance, both absolutely and relatively. Poland's trade on the eastern world market even seems to have declined about 8 per cent in 1955, while its trade with countries outside the region rose by about one-third. Eastern Germany increased its trade with western countries by one-half, while its trade on the eastern world market remained at the 1954 level. Rumania's trade with the west increased equally fast, its trade with eastern countries, meanwhile, increasing by only a few per cent. Czechoslovakia, on the other hand, may be something of an exception to this trend: most of the increase in its trade turnover in 1955 (distribution not announced) seems to be accounted for by trade with the eastern world market,[38] but this development follows an absolute fall in its trade with eastern countries from 1953 to 1954.

Trade turnover (exports plus imports) of the Soviet Union and some countries of eastern Europe 1952-1955

Total trade turnover of each country in 1952 = 100

		Total trade	*Trade with eastern countries*	*Trade with western countries*
Soviet Union	1952 . .	100	79	21
	1953 . .	110	91	19
	1954 . .	120	94	26
	1955 . .	. .	. .	. .
Eastern Germany	1952 . .	100	74	26
	1953 . .	129	99	31
	1954 . .	158	118	40
	1955 . .	177	118	59
Czechoslovakia	1952 . .	100	72	28
	1953 . .	107	84	23
	1954 . .	111	83	28
	1955 . .	128	. .	. .
Poland	1952 . .	100	66	34
	1953 . .	101	71	30
	1954 . .	110	76	34
	1955 . .	115	70	45
Rumania	1952 . .	100	85	15
	1953 . .	116	98	18
	1954 . .	122	102	20
	1955 . .	137	107	30

Source : See Appendix C.

While the picture given by these figures is mixed and seriously incomplete, the last two years appear to show a certain slowing down in the rate of growth of trade among the countries of the eastern world market and, at least for several of them, a rather stronger rise in their trade with the west. Two reasons may be suggested for these trends. First, trade within eastern Europe contains a large component of engineering products:[39] it was natural that it should grow less rapidly when the pressure of investment activity lessened. Second, the increased attention given to the potential benefits of international division of labour in general, along with the need for increased imports of food and materials in particular, increased the attractions of western markets as sources of supply. This was particularly true, for instance, with regard to imports of non-ferrous metals from the west, which were encouraged by the relaxation of western strategic controls on, for example, certain types of copper.

While trade with the west may well continue to grow in relative importance, there is little reason to suppose that the expansion of trade within the eastern world market is coming to a halt. It is possible that this trade had begun to approach the limits set by the earlier national production plans drawn up without adequate weighing of the possibilities of intra-eastern trade. But the new long-term plans, which have been the subject of intensive inter-government discussion with a view to co-ordination, may be expected to increase the scope for exchanges in the eastern world market. This conclusion is supported by Mr. Khruschev's announcement at the XXth Party Congress on 14 February 1956 that the Soviet Union was to grant credits totalling 21 billion roubles to eastern European countries and his remark that even his own country did not need to develop all branches of its economy when there was advantage to be gained from trade.

Trade with western Europe

The trade of the Soviet Union and eastern Europe with western European countries continued to expand in 1955 at about the same rate as in the preceding year. During 1954 the increase had been higher in exports from western to eastern Europe, but in 1955 the reverse was true: over the two-year period from 1953 to 1955 the flows of trade in both directions rose by about one-half. In addition to the items which had usually figured in Soviet and eastern European sales to western Europe—wheat and other foodstuffs, coal and petroleum, timber—growing quantities of manufactures, including machinery and equipment, were delivered to a number of western European

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[38] This judgement is based on the negative evidence of western countries' statistics of their trade with Czechoslovakia.

[39] For example, the share of machinery and equipment in the total imports of Poland and Bulgaria was as follows:

Percentages

	1950	*1951*	*1952*	*1953*	*1954*
Poland	32	. .	35	40	32
Bulgaria	50	45	50 *	45 *	38

markets and there were also substantial sales of pig-iron and cotton to the west. The exceptionally large imports of butter and meat from western Europe experienced in 1954 disappeared from the trade in 1955. Imports of grain continued, however, and in two cases—eastern Germany and Poland—are to continue in spite of the good harvest of 1955. The total of eastern imports from western Europe continued to grow rapidly, partly because of a substantial increase in deliveries of machinery and equipment. The major part of the increase in trade was with the United Kingdom, western Germany and France, though there was also a significant increase in the trade of the southern European countries with eastern Europe.[40]

Trade with overseas countries

The figures shown in Table 87 (some of which are, however, derived as residuals and are therefore subject to wide margins of error) suggest that in 1954 less than 40 per cent of the trade of the Soviet Union and of eastern Europe with the west was with coun-

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[40] See Table VI.

TABLE 87

Trade of the Soviet Union and eastern Europe with selected overseas countries, 1953 to 1955

Millions of current dollars: exports, c.i.f., imports, f.o.b.

Country of destination or origin	Soviet Union						Eastern Europe					
	Exports			Imports			Exports			Imports		
	1953	1954	1955 [a]	1953	1954	1955 [a]	1953	1954	1955 [a]	1953	1954	1955 [a]
Egypt	14.1	6.6	4.3	11.9	5.4	15.3	23.6	19.5	25.8	25.8	39.6	46.3
Iran	23.9	13.4	26.4	22.0	18.9	22.5	3.2	7.8	4.1	0.8	2.3	4.5
Israel, Lebanon, Syria, Sudan and Ethiopia	0.3	2.1	1.0	1.0	3.1	2.5	11.3	24.9	16.4	1.7	3.1	8.4
Indonesia	—	0.6	0.3	—	0.4	—	4.6	11.3	36.5	4.2	6.3	31.2
Japan	2.1	2.2	1.4	—	—	1.0	5.8	5.3	6.4	—	4.9	7.8
United States	10.7	11.8	14.1	—	0.2	0.3	25.2	30.5	37.3	1.6	5.8	8.5
Canada	0.8	0.7	0.2	—	5.0	4.1	3.8	3.1	3.6	0.2	1.0	2.1
Colombia, Haiti, Mexico and Venezuela	—	—	—	—	—	0.6	1.8	3.3	4.2	0.4	—	0.6
Argentina	—	27.8	31.3	11.5	50.3	17.5	15.6	41.5	53.4	13.3	50.6	54.5
Brazil	—	—	—	—	—	1.4	9.7	18.8	30.8	10.3	21.5	34.8
Chile and Uruguay	—	—	—	0.2	19.9	4.4	0.3	1.4	3.3	0.8	4.7	12.0
India	0.9	2.4	5.7	0.7	5.3	5.1	3.3	4.0	7.6	5.9	5.4	3.9
Pakistan	—	0.2	0.2	7.3	3.6	—	1.0	1.1	0.6	5.0	3.9	8.2
Burma	—	0.1	0.2	—	—	—	0.5	2.3	1.2	—	0.6	1.4
Australia	1.7	1.4	2.3	33.2	30.2	0.5	4.7	6.2	6.6	23.6	21.6	31.3
New Zealand	—	—	—	—	8.2	10.0	—	—	—	11.0	—	—
Gold Coast	—	0.1	—	10.1	20.4	17.5	2.0	2.8	4.5	—	—	—
Other sterling countries	—	—	0.6	0.1	0.3	0.3	21.3	22.6	27.2	17.1	11.8	11.6
French and Belgian overseas territories	0.1	0.6	0.3	1.4	2.7	4.0	10.1	5.4	7.5	4.1	5.0	15.6
Total of countries listed	54.6	70.0	88.3	99.4	173.9	107.0	147.8	211.8	277.0	125.8	188.1	282.7

Sources: Trade statistics of overseas countries.

[a] Yearly rate of monthly figures covering the first *ten* months for Hong Kong; *nine* for Egypt, Indonesia and Algeria; *eight* for Israel, United States, Canada, Colombia, Mexico, Australia, Cyprus and Malaya; *seven* for Sudan, India and French Morocco; *six* for Lebanon, Ethiopia, Japan, Venezuela, Brazil, Chile, Pakistan, Burma, South Africa, Jamaica, Trinidad and Nigeria; *five* for Argentina, Gold Coast and Belgian Congo; *four* for Iran, Haiti and Uruguay; and *three* only for Syria and New Zealand.

tries outside Europe, and that the proportions had not changed much since 1952. Nevertheless, in several eastern European countries great stress is being laid on the potentialities of trade with overseas countries.

It will be seen from Table 87 [41] that exchanges with several of the less developed overseas countries increased fast in 1954. More recently there has been a reduction in Soviet imports from some overseas countries—notably from Argentina, which had built up a large credit balance with the Soviet Union, and from Australia, as a result of political differences. Eastern Europe's trade with overseas countries has, however, expanded even faster than in 1954, mainly on the basis of comprehensive bilateral trade and payments agreements. The chief flows of trade have been between Czechoslovakia, eastern Germany and Poland, on the one hand, and Argentina, Brazil, Egypt, and, in particular, Indonesia on the other.

This type of trade, though it has grown rapidly, is still small, whether considered from the point of view of eastern Europe or from the point of view of its share in the overseas countries' trade. So far, eastern European exports have tended to be mainly of foodstuffs, including sugar, certain basic materials such as timber, petroleum and cement, together with some textiles and other products of light industry ; and, except in the case of Czechoslovakia, the hoped-for sales of machinery did not occur until the second half of 1955. Up to the present the greatest increases in trade with the less developed countries have been with Argentina, Brazil and Indonesia—countries which have encountered difficulties in balancing their trade with western countries. The expansion in trade of the eastern European countries, and also of the Soviet Union, with India has been extremely modest, perhaps because India, as a member of the sterling area, has a wide and relatively unrestricted market for its exports and a smoothly functioning payments system at its disposal and has less need to develop its trade on a bilateral trade and payments basis.

Nevertheless, the trade of eastern Europe with overseas countries is still in its infancy, and judging by current production plans and recent trade agreements can be expected to develop considerably. Thus, the Czechoslovak plan for 1956 calls for an increase of nearly one-quarter in the production of chemicals and explains it by the opportunity for increasing exports to Latin America. The Polish Government has recently undertaken to construct a plant for making enamelware in Egypt in 1957. In December an agreement was signed between Poland and three middle eastern countries—Jordan, Saudi Arabia and Syria—for the construction of a railway between Damascus and Saudi Arabia. Under an agreement with Egypt, Polish technicians are preparing blueprints for shipyards, and for plant for producing electrical apparatus. Negotiations are going on for the construction by Poland of a railway carriage works in India, iron castings plants in Argentina and Syria, a metallurgical plant in Turkey, and plant for producing ships' propellers in Brazil. Czechoslovakia and eastern Germany have also concluded a number of similar contracts with the underdeveloped overseas countries.

The whole emphasis on the eastern European side is on comprehensive agreements covering the delivery of blueprints for plants, their construction, the training of local workers and the putting of the plants into operation.

The formal basis of the trade of the Soviet Union with overseas countries is rather different from that of the eastern European countries. In most cases the Soviet Union's trade with overseas countries forms part of a multilateral pattern, in which the most important element is the sterling surpluses which it receives from its exports to the United Kingdom. Thus, it regularly buys wool and other basic materials in sterling countries and occasionally, when need arises, as in 1954, foodstuffs from various overseas suppliers, such as the Gold Coast and Uruguay. However, in some of its trading relationships, notably with Argentina and Iran, the trade is conducted within the framework of a comprehensive agreement of a more definitely bilateral nature, like that employed in trade relations between eastern European and overseas countries.

While the recent agreements and other deals negotiated by the Soviet Union point to a future growth in its trade with overseas countries, there is some reason to expect a decline in several of its important traditional imports. Thus, its output of raw wool is scheduled to rise almost twice as fast as that of wool cloth during the Sixth Five-year Plan—i.e., by 82 per cent compared with 45 per cent—suggesting a marked decrease in its dependence on imports of wool. Similarly, raw cotton production is expected to rise by 56 per cent in contrast to a rise of only 23 per cent foreseen for cotton textile output. In this case, since the Soviet Union is already more than self-sufficient in cotton, except for certain types, a part of the increase may be intended for export to eastern European countries, thus reducing their needs for imports of cotton from overseas sources, as well as to western countries. Still another major import item, natural rubber, may be displaced by the scheduled expansion of 120 per cent in Soviet synthetic output, following the rapid growth already achieved in this branch. A fall in trade is, however, not certain, since tyre production is also to double, so that there may still be an important margin of raw material requirements to be satisfied by imports of natural rubber.

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[41] Attention is particularly called to the fact that, because of the delays in the availability of trade statistics of overseas countries, the data for 1955 in Table 86 are annual rates based on monthly figures covering only a portion—in some cases only a very small portion—of the year. Because of seasonal and other influences, the final results for the year may differ rather widely from these figures.

4. The plans for 1956

The Soviet plan for 1956

The better 1955 harvest clearly improves the prospects for consumers in the Soviet Union in 1956, quite irrespective of the decisions on the allocation of industrial resources. The expenditure decisions of the Government point in the same direction. In spite of the continued stress on the importance of expanding heavy industry, the plans for 1956 call for only a slightly greater rise in the output of producer goods than of consumer goods—11 per cent, as compared with 9.6 per cent. It seems probable, therefore, that real wages in 1956 will increase by not much less than industrial productivity unless there are setbacks in agriculture.

The increases planned for productivity in 1956 are greater than those planned, but about the same as those achieved, in 1955: output per man is to rise by 7.7 per cent in industry and by 10 per cent in building and construction.[42] According to the 1956 budget estimates the aggregate of state fixed investment and defence expenditure are to rise by at least the same extent as industrial productivity. As the budget estimates show (Table 88), defence expenditure at current prices is to be cut by over 9 per cent, but the volume of resources to be allocated to defence will, it would appear, be reduced somewhat less, as a result of the reduction in wholesale prices in July 1955, which particularly affected the products of heavy industry, among them, presumably, some products purchased on military account. State investment expenditure (shown in Table 128) is to rise by 15 per cent in terms of constant prices (13 per cent at current prices). The largest increase in investment is to be in heavy industry, whose share in the total is to rise to 60 per cent. The shares of agriculture and transport are also enlarged. Investment in the light industries, whose output is almost entirely destined for current consumption, is to be reduced both absolutely and relatively, but no figures are available on investment in industries manufacturing durable consumer goods (which are classified under heavy industry). The rapid rates of growth of output of those durable consumer goods listed in the Sixth Five-year Plan (1956-1960)[43] would seem to indicate that no cut has been made in investment in this sector.

The fall, both absolutely and as a share of the total, envisaged for the miscellaneous group " other investment " is somewhat surprising in the light of the substantial increase budgeted for social and cultural expenditure and for local authorities. As capital expenditures on schools, hospitals, sanatoria, and local authority housing and services are all apparently to increase, the cuts would seem to fall on the construction and equipment of administrative buildings. This seems likely in the light of the reduction of the civil service and the administrative staff of enterprises by no less than 750,000 in the past two years. As Table 88 shows, budget appropriations for administration have been steadily falling since the reforms started in 1953.[44] The increase in social and cultural expenditure comprises a 6 per cent rise for education, of which the biggest beneficiary is scientific research, although spending on secondary schools is also to rise as its coverage is extended over rural areas.[45] Public health expenditure is to rise by over 15 per cent, about half of which is to provide for the increases in salaries of medical personnel which came into effect in November 1955.

Eastern European plans for 1956

The characteristic feature of the plans of eastern European governments for 1956 is the increased share of national income which is to be devoted to accumulation. In Czechoslovakia, Hungary and Poland the target increases for national income are comparatively modest (6 to 8 per cent), the target increases for investment expenditure about 20 per cent. The eastern German authorities are planning for an expansion of investment by as much as 40 per cent: even though the accumulation ratio in eastern Germany is still exceptionally low by eastern European standards, this is an extraordinarily fast rate of increase.

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[42] The planned reductions in costs—5.4 per cent in industry and 2.8 per cent in building—are, however, proportionately greater than those obtained in 1955.

[43] See Table XXVII.

[44] These have covered reductions in statistical reporting, the elimination of redundant offices, etc.

[45] The programme for the expansion of secondary education is to be broadly completed by 1960.

TABLE 88

Soviet public accounts during the Fifth Five-year Plan and the 1956 budget

Billions of roubles

	1951	1952	1953	1954	1955 Budget [a]	1955 Actual [b]	1956 Budget
Revenue							
Turnover tax	247.8	246.9	243.6	234.3	*233.7*	..	*271.2*
Dividend from profits	48.0	58.5	70.3	*92.8*	*117.5*	..	*107.3*
State loans	32.6	36.3	17.3	*15.9*	*30.5*	..	*32.3*
Increase in Savings Bank deposits	4.0	4.1	12.0	9.6	*10.0*	..	*5.0*
Agricultural tax	42.9	9.6	5.5	*4.2*	*48.4*	..	*50.3*
Other direct taxes		37.8	40.6	*41.5*			
Social insurance premia	21.4	21.9	23.2	*24.7*	*26.5*	..	*28.5* *
Forest fees	1.6	1.6	1.6	1.8	*1.9*	..	*2.0* *
Commercial insurance premia	72.0	81.0	125.7	*147.7*	*121.7*	..	*2.0*
Other revenue							*94.2*
Total	470.3	497.7	539.8	558.6	*590.2* [c]	561.5	*592.8*
Of which:							
From socialized sector	..	..	460.5	..	*497.3*	472.0	*501.3*
Expenditure							
National economy	179.4	178.8	180.4	213.4	*222.3*	230.1	*237.3*
Of which:							
Heavy industry	*79.9*	*80.6*	*82.6*	*79.7* [d]	*101.2* [d]	90.0 [d]	*100.9* [d]
Light industry				*14.2* [e]	*11.5* [f]	..	*26.0* [g]
Transport and communications	*11.9*	*14.3*	*17.4*	*21.5*	*23.0*	..	*21.8*
Agriculture and forestry	37.2	33.5	*39.9*	*62.5*	*55.1*	..	*48.6*
Agricultural procurement	*11.2* [e]	*13.3* [e]					
Local economy	*5.0*	*4.8*	*6.6* *	*7.9* *	*8.0* *	..	*10.0* *
Other [h]	*31.5* [d]	*32.7* [d]	*44.7* [d e]	*30.7*	*23.5*	..	*30.0* [i]
Social and cultural measures	119.4	122.8	128.8	141.9	*147.0*	147.0	*161.5*
Of which:							
Education	57.3	58.5	61.1	*67.2*	*68.5*	68.5	*72.8*
Health and physical culture	21.7	22.3	24.2	*29.3*	*30.5*	30.4	*35.1*
Social Security	21.2	22.5 *	23.5 *	*24.7* *	*26.5*	..	*30.5*
Social Insurance	14.7	15.1 *	15.5 *	*15.9* *	*16.5*	..	*17.9*
Family allowances	4.1	4.4	4.5	*4.8*	*5.0*	..	*5.2*
Defence	93.9	108.6	*110.2*	*100.3*	*112.1*	..	*102.5*
Loan service	4.9	6.8	9.8	10.2	*12.2*	12.2	*14.0*
Administration	*14.1*	14.5 *	*14.3*	13.9	*12.6*	12.5	*12.5*
Subsidies to cover increases in procurement prices	—	—	*13.6*	*23.3*	*22.5*	..	—
Other expenditure	31.3	28.7	*60.3*	*57.0*	*34.8*	..	*41.8*
Total	443.0	460.2	514.7	553.9	*563.5* [c]	537.8	*569.6*
Of which:							
Investment	*98.0*	*98.1*	*106.7*	*116.3*	*109.3*	..	*118.4*
Surplus	27.3	37.5	25.1	4.7	*26.7*	23.7	*23.1*

Sources: SURVEY for 1954, Table 35; *Economic Bulletin for Europe*, Vol. 7, No. 1, Table 16; *Izvestia*, 27 and 29 December 1955; *Finansy SSSR*, No. 5, pp. 9 and 34 and No. 6, 1955, pp. 28-33.

NOTE. — Budget estimates are italicized. " Other " has in each case been obtained by difference; in 1953-5, " other revenue " appears to include an offset equal to the value of expenditure on increasing procurement prices.

[a] Without allowance for the wholesale price reductions of 1 July 1955.

[b] Including effect of July price reductions.

[c] Revenue revised to 560.4 and expenditure to 533.0 after July price reductions.

[d] Including construction.

[e] Including domestic trade.

[f] Of which 0.9 for domestic trade.

[g] Including some contribution from non-budget resources and comprising expenditure on capital investment in light and food industries (8), subsidies to cover the incorporation of higher procurement prices, introduced in 1953 and 1954, into wholesale prices (17) and expenditure on domestic trade (1).

[h] Includes foreign trade.

[i] Under-stated to the extent that non-budget resources are included under light industry.

Index numbers of national income, investment and consumption

Previous year = 100

	1954	*1955*	*1956 Plan*
Czechoslovakia			
National income	104	109	108
Investment	<100	91	120
Retail sales	120	111	105
Construction of dwellings	93	124	113
Hungary			
National income	99	..	106
Investment	70	89	120
Retail sales	121	105	106
Construction of dwellings	159	120	200 [a]
Eastern Germany			
Investment	89	111	140
Retail sales	114	107	105
Construction of dwellings	90	107	136

[a] Including private housing.

In all these countries the biggest increases in investment are to be in the basic industries and engineering. The Czechoslovak and Polish plans continue to place great emphasis on the expansion of the raw material base of heavy industry. In eastern Germany, where investment in mining has been running at a very high rate in recent years, investment in engineering has a higher target. In eastern Germany and Hungary, investment in transport, somewhat neglected in the past, is to expand by nearly 50 per cent.

All these plans foreshadow a considerable increase in investment in the building industry, which is to go hand in hand with changes in the organization of the industry designed to improve its flexibility and suitability for carrying out small projects as well as the large projects which have until recently been given priority.

In the case of agriculture, there are surprising differences between countries. Investment in agriculture is to increase by almost one-third in Czechoslovakia, but in eastern Germany and Hungary the increases contemplated are much smaller.

Planned investment in some sectors in 1956

1955 = 100

Czechoslovakia	
Electric power	113
Engineering	134
Agriculture	130
Hungary	
Heavy industry	145
Agriculture	104
Transport	146
Housing	150 [a]
Eastern Germany	
Mining, power, chemicals and metallurgy	148
Engineering industry	287
Light and food industries	106
Agriculture	121
Transport	146
State housing	126
Building and building materials industries	280

[a] Budget grants and state housing loans.

Only Bulgaria, as far as is known, is pursuing a different path. There, a rather high rate of growth of national income—16 per cent—is envisaged; but it seems that the volume of fixed investment, which has recently been lower than had been planned, is even to be decreased somewhat. Moreover, thanks to a loan from the Soviet Union,[46] not the whole of the investment will be at the expense of current consumption. At the same time, defence expenditure is to be reduced by 20 per cent. As a result, the volume of retail sales is to be increased faster than the national income. As an earnest of its intention, the Government announced at the beginning of February 1956—that is, several months earlier than usual—a rather comprehensive list of reductions of retail prices. These cover most foodstuffs other than meat, as well as textiles and footwear. They clearly reflect the good harvest of 1955 and the slump in textile sales.[47] Durable goods, which are in heavy demand as all over eastern Europe, are hardly affected.

Total industrial production (see Table 80) is planned to increase in 1956 by 10 to 12 per cent in the three least developed countries, by 9 per cent in the two most highly industrialized countries, Czechoslovakia and eastern Germany, and by only 6 to 7 per cent in Hungary and Poland. In general these rates of increase, all to be achieved mainly by way of higher productivity, are somewhat lower than those actually achieved in 1955. In Czechoslovakia and Hungary heavy industry is to expand faster than light industry, and indeed, in view of the heavy stocks of unsold textiles, the output of light industry is actually planned to fall in Hungary. The Polish plan, however, calls for approximately equal rates of growth in the two sectors of the economy, which suggests that the extra claim of investment may be offset by a cut in defence expenditure. Among consumer-goods industries particular stress is put

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[46] The amount of the loan, to finance investment in agriculture and the building of fertilizer factories, is 370 million roubles (630 million leva), equivalent to about 12 per cent of the investment planned for 1956.

[47] Similarly, the Government of Albania found it possible to lift the rationing of textiles and footwear at the beginning of 1956 and to unify retail prices for these commodities.

TABLE 89

Agricultural production in eastern Europe

Index numbers

	1953 Actual	1954 Actual	1955 Plan	1955 Actual	1956 Plan	1960
	Previous period=100					*1955=100*
Bulgaria						
Total	118	106	122	..	118	..
Of which :						
Livestock production	..	..	107	..	108	..
Czechoslovakia						
Total	..	97.5	110	111.5	109.0	130
Of which :						
Crop production	..	[a]	113	114	110.2	..
Livestock production	..	105	106	108	106.9	134
Hungary						
Total	128	94	107	..	103	..
Poland						
Total	105	104	106	103	..	125
Of which :						
Crop production	102	106	105	104	..	122
Livestock production	107	103	107	103	..	129

Sources : Plans and plan fulfilment reports; *Rudé Právo*, 1 July 1955 and 9 February 1956; *Gospodarka Planowa*, No. 10, 1955; *Zahraniční Obchod*, No. 12/1955; *Bulletin économique hongrois*, Paris, No. 29, 15 December 1955; and *Economic Bulletin for Europe*, Vol. 7, No. 2, p. 25.

[a] Lower than in 1953.

on increasing the output of the food-processing industries.

A detailed plan for agricultural production in 1956 is available only for Czechoslovakia.[47 bis] It provides for an increase of 9 per cent in the total production, with a somewhat higher rate of expansion for plant products. The rate seems to be very high, when it is recalled that the exceptionally good harvest of 1955 brought about an increase of no more than 11 per cent over 1954. Even more is this the case in Bulgaria, where an increase of 18 per cent over the previous year is called for. The Hungarian target for total agricultural production in 1956, on the other hand, is only 3 per cent above output in the very good year 1955.

In all the countries it is emphasized that the increases in the output of crops have to be achieved mainly by raising yields per hectare. Sown areas can hardly be extended and, on the contrary, may tend to decline as industrialization progresses. Sowing plans for 1956 thus remain practically unchanged, except for some increase in the share of maize. No increases are forecast in the number of pigs, which are, as was noted above, already at record levels. Similarly, though some increase in the number of cattle is planned, the main effort is still to be directed to raising yields rather than the size of herds.

5. LONG-TERM PLANS FOR INDUSTRY AND TRANSPORT, 1950-1955 AND 1956-1960

The Soviet Sixth Five-year Plan

By May 1955 the total output of Soviet industry was already running at the rate originally set for the end of the Fifth Five-year Plan. In the end the global plans for industrial production were over-fulfilled by 9 per cent.

The rates of growth of the basic industrial products —coal, oil, electric power, steel, cement—called for by the draft Directives of the Sixth Five-year Plan are, as Table 90 illustrates, remarkably similar to those actually achieved during the past five years, the absolute increases, of course, being considerably larger.

[47 bis] See Table 89.

TABLE 90

Rates of growth of output of basic industrial products in the Soviet Union

Commodity	Output (millions of tons)			Annual rate of growth	
	1950	1955	1960	1950-1955 (Actual)	1955-1960 (Plan)
Coal	261	391	593	8.4	8.7
Oil	37.8	70.7	135	13.4	13.8
Electric power [a]	91	170	320	13.5	13.5
Crude steel	27	45	68	10.8	8.6
Motor vehicles [b]	368	445	650	3.9	7.9
Tractors [b]	1.09	163	322	8.4	14.5
Metal-cutting machine tools [b]	72	105	200	7.8	13.7
Caustic soda and soda ash	1.09	2.00	3.42	15.1	11.3
Mineral fertilizer	5.5	9.6	19.6	11.8	15.3
Cement	10.3	22.4	55	16.8	19.7

Source : Table XXX. [a] Billion KWh. [b] Thousands.

Coal.—A recent article in a Soviet journal[48] looks forward to an output of coal and lignite of between 800 and 900 million tons by 1970. The Sixth Five-year Plan's target is just under 600 million tons, which implies a rate of growth of output of about 8½ per cent per annum, very slightly greater than that achieved in the past quinquennium. As much as one-third of the increment is to come from open-cast workings (which require only about half the capital cost of deep-mined coal per unit of output), mainly in the Siberian and Central Asian fields. There is, however, to be a more intensive exploitation of deep mining in the European coal-fields, and as a result the rates of growth of total coal output are to be remarkably even throughout the country. This represents a quite different trend from that of previous five-year planning periods, during which the output of the eastern regions expanded more rapidly than the average. It is to occur, moreover, despite complaints during 1955 by deputies from the Central Asian republics that their own low-cost deposits were being neglected. The decision to develop coal output near existing consuming centres obviously implies a desire to economize on transport costs—a policy to some extent imposed by the physical capacity of the railways. A long-term programme to expand the already developed industrial centres around the Siberian coal-fields was announced by Mr. Khrushchev in February 1956—a programme, in effect, of expansion based on self-sufficiency.[48 bis]

Output of coal and lignite in the Soviet Union

Millions of tons

	1950 Actual	*1955 Actual*	*1960 Plan*
Deep-mined coal	236	335	471
Open-cast working	24	55	122
Total	260	390	593

A somewhat larger proportion of coal output is to consist of coking coal—20 per cent by 1960, compared with 17 per cent during the Fifth Five-year Plan—and it is significant that the major coal-fields marked down for more intensive development are the largest sources of coking coal. The 80 per cent rise in coke supplies is clearly intended to cover not only the increased needs of metallurgy, but also export sales: the Soviet Union has commitments to Hungary and Rumania, whose steel industries can also be expected to expand during the second five-year plans.

Oil and gas.—The output of crude oil was almost doubled during the period of the Fifth Five-year Plan, and in 1955 exceeded the figure which Stalin in 1946 had suggested as a target for 1960. Most of this increase is due to discoveries in the rich Volga-Urals fields, whose proved reserves are now six times as great as in 1940 and whose output is already more than five times as great as before the war. During the next quinquennium total crude oil production is again almost to double, and the greater part of the increased output is again to come from the new fields, while the output of the old Baku fields—in spite of a doubling of under-sea extraction—is to remain stationary: 15.7 million tons in 1960, as compared with 14.5 million tons in 1950 and as much as 22 million tons in 1940. Most new refinery capacity is to be located in the eastern regions, which now supply 60 per cent of the total oil.

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[48] See E. Shteingauz in *Voprosy Ekonomiki*, No. 8, 1955.

[48 bis] At present, much of the iron ore extracted at Magnitogorsk is shipped to Siberia for smelting with Kuznetsk coal; Kuzbas coal is hauled west of the Urals (11 million tons of Asian coal went to the European part in 1954); and Siberian plants use Ukrainian-made steel castings.

During the next five years there is to be a big increase in the production of natural gas: of the total increase in gas supplies which is foreshadowed, 90 per cent is to come from natural gas. The oil industry is said to be wasting 40 per cent of the natural gas extracted with its oil, and metallurgical works are reported to be losing large volumes of coke-oven gas because of shortages of large-diameter pipe to tap this by-product. By 1960, five times as much natural gas and twice as much coal gas are to be productively consumed.

Electric power.—The output of electric power in the Soviet Union increased by 88 per cent from 1950 to 1955, at almost twice the rate (a doubling in 10 years) accepted as conventional in many discussions of electricity policy in western Europe. During the next five years it is planned to increase at exactly the same rate. This time, however, the output of hydro-electricity [49] is to increase considerably faster than that of thermal power, partly because of the heavy investment in hydro-electric stations made during the last five-year plan, only a fraction of which is yet reflected in output.[50]

Electricity supply in the Soviet Union

Billion Kwh

	1937	*1950*	*1954*	*1955*	*1960 Plan*
Ministry of Electric Power .	25.4	76	106	125*	..
Large industrial plants . . .	1.9		24	27*	..
Agricultural plants	0.2	1	2	2*	.. [a]
Other [b]	12.7	13	15	16*	.. [c]
Total	36.4	90	147	170	320
Of which :					
Hydro-electric power	3.9	13	19	23	59

Sources : See Appendix C.

[a] The number of collective farms supplied with electricity is to double during the Sixth Five-year Plan.

[b] Municipal stations, small industrial plants and railway auto-generation.

[c] The Plan Directives foresee an expansion in the output of municipal plants.

In the longer term, apparently, some slowing down of electrical development is expected. The article on energy production referred to above [51] speaks of an output of electric power of 700 to 750 billion Kwh in 1970, or about double that planned for 1960.

Metallurgy.—The rate of growth of crude steel output in the years 1956-1960 is, as Table 90 shows, to be somewhat less than that attained during the Fifth Plan, though the absolute increase (23 million tons) is to be greater. If the target is reached, Soviet output in 1960, at 68 million tons, will still fall far short of United States output in 1955 (106 million tons) and in per capita terms will be no higher than the output already achieved in western Europe by 1955, after a rate of growth about equal to that planned for the next quinquennium in the Soviet Union.

The composition of steel consumption in the Soviet Union is, however, very different from that in western Europe and, *a fortiori*, in the United States. A rough calculation suggests that about 40 per cent of the United States output in 1955 was used in the manufacture of consumer goods and in housing, leaving 60 to 65 million tons for use in making capital goods and defence goods. Judging by the production programmes announced for durable consumer goods and the housing programme for the next five years, the Soviet Union in 1960 will be using only some 8 million tons of crude steel for these purposes. The balance—about 60 million tons—available for investment and defence is not much less than the amount so used now in the United States. On a per capita basis the amount is somewhat less than in the United States, but considerably greater than in western Europe.

In other words, the composition of the national output in the Soviet Union is such that a far smaller per capita supply of steel is needed to realize a given rate of growth of capital and income than is the case

TABLE 91

Principal sources of energy supplies [a] in the Soviet Union

Percentages

	1940	1950	1955	1960 Plan
Coal	69.3	70.7	67.6	55.6
Oil	21.5	18.2	21.6	22:3
Peat	5.9	4.8	4.0	3.2
Natural gas	1.9	2.1	2.1	5.5
Hydro-electricity	1.1	3.5	4.0	5.5
Combustible shales . . .	0.3	0.7	0.7	6.3
Atomic energy	—	—	—	1.6

Sources : 1940-1955: *Voprosy Ekonomiki*, No. 1, 1956, p. 26 incorporating hydro-electricity from Table 79; 1960 obtained by applying the increases for each source of energy shown in the Sixth Five-year Plan (*Pravda*, 15 January 1956) to the distribution in 1955, incorporating atomic energy from Table XXX.

NOTE. — The output of each product has been converted to tons of coal with a standard content of 7,000 calories.

[a] The sources covered by the table comprised in 1950 83 and in 1955 88 per cent of total energy supplies, the remainder being supplied by wood.

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[49] Work has been or is about to be started on virtually all the hydro-electric plants included in the long-term electricity development plan of 1937. This includes a 3.2 million Kw station on the River Angara in Siberia.

[50] The eventual capacity of the hydro-electric stations under construction in 1955 is equal to almost treble the existing hydro-capacity. It was announced during the year that the output of the Kakhovka and Stalingrad plants would be greater than originally envisaged.

[51] E. Shteingauz, *loc. cit.*

in western countries. Much the same is true of a number of other basic materials. The preamble to the draft Directives on the Sixth Five-year Plan claims that Soviet industry has now reached a stage when it will soon be in a position to " overtake and surpass the most developed capitalist countries in per capita production ". In the field of investment this is evidently true.

The output of copper and zinc is to increase at about the same rate as during the past five years, but extraction of nickel is to be greater than was planned for in the last Five-year Plan. Aluminium output is to continue to increase very rapidly, though, as in the case of lead, somewhat less fast than in 1954-1955. A notable omission from the plan directives is a target for manganese, hitherto a considerable export item.

Engineering. — The engineering industries [52] as a whole produced 10 per cent more than the Fifth Five-year Plan laid down, but the decisions of 1953 considerably altered its product-mix from that planned. The plans for steam and hydro-turbines, and for equipment for the oil, chemical and metallurgical industries were far from reached; but, on the other hand, the original goals for consumer durables and agricultural machinery were exceeded by comfortable margins, the output of tractors, notably, being about twice as great as planned. The efforts made to cut the turn-round time of rolling stock are explained by the slow development of wagon and coach production: only in 1960 will output reach the level originally laid down for 1950 in the Fourth Five-year Plan. The Sixth Five-year Plan envisages an annual increase of 10 per cent for railway rolling stock and a more rapid rate of increase for electric locomotives than was shown during the Fifth Five-year Plan.[53] The same is true of machine tools, whose output expanded between 1950 and 1955 by 7 per cent per annum and is forecast at 14 per cent in the coming Plan (see Table 90): within this growth, production of large machine tools more than tripled.[54] Very sharp expansion is also foreseen in the output of forging, pressing and casting [55] equipment, instruments for automation and building equipment (especially for pre-fabricated concrete).[56] The over-all output of agricultural machinery is to increase rather more rapidly than in the past five years, but within this rise that of grain combines and windrowers is to be significantly greater. The rate of growth of tractor output is also more rapid than in the last plan.[57] Motor vehicle production, which increased at the planned rate of only 4 per cent per annum in 1950-1955, is to increase by 8 per cent per annum under the new Five-year Plan. Somewhat higher rates of increase than were shown in the past five years are set in the five-year plan for metallurgical, oil and some civil engineering equipment. Some engineering products, while still showing substantial increases (of between 1.6 and 2.6 times over the five years), are to show a smaller rate of growth than those shown in 1951-1955—i.e., hydro-turbines, generators, buses, motor-cycles and chemical equipment.

Chemicals. — The 84 per cent increase planned for chemical equipment closely reflects the average rate of growth of chemicals production, so far as it can be gauged from the output items quoted in Table XXVI. For all but one of these products the increase in the next five years is to be proportionately greater than in the last five, notably in the case of mineral fertilizers and synthetic rubber,[58] the rapid increase of which may be linked to import saving on natural rubber. Sulphuric acid output (no figures, planned or actual, were published during the Fifth Five-year Plan) is nearly to double by 1960. Production of pharmaceuticals and other medical supplies is also to double.

Textiles and food-processing. — The rates of increase in the Sixth Five-year Plan for cotton and woollen textiles are smaller than those achieved during the last five years—23 per cent over five years for cotton cloth, as compared with an increase of 54 per cent from 1950 to 1955, and 45 per cent for wool cloth as compared with 61 per cent in the earlier period—in spite of the considerable increases in the output of raw cotton and wool which are planned.[59] Linen output, however, which decreased by 27 per cent during the last Five-year Plan, is to be raised by 1960 to a level one-third above that of 1950: the 82 per cent expansion that this represents is matched by an increase in the flax crop of 35 per cent.[60] For the few food products for which comparative figures are available for both five-year periods the rates of growth are remarkably even. The 75 per cent increase in output of the state meat industry [61] in the last five years is to be continued by a 78 per cent increase in the next five-year plan, and the 57 per cent increase planned for fisheries was the rate already shown in the past five years. The rates of growth of sugar and vegetable oil output in the next five years, 91 and 65 per cent respectively, are somewhat greater than those shown in the past five years. Only the rate of expansion of food canning is to decrease, but it rose from such a relatively low level in 1950 [62] that the 2.1 times increase of 1951-1955 must be considered exceptional. The 78 per cent rise shown in the Sixth Five-year Plan is large, and it must be regarded in conjunction with the plans for retail trade equipment—additional refrigeration and cold storage plant, etc.—which should improve the distribution (through time and space) of fresh meats, vegetables and fruit.

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[52] Detailed output figures are given in Tables XXVI, XXVII and XXX.

[53] On plans for railway electrification, see below.

[54] An increase of 3.3 times, compared with a planned increase of 2.6 times.

[55] This is linked with the plan to create three large forging plants (with 215,000 tons capacity) and 23 specialized foundries (with an aggregate annual capacity of 1.5 million tons of castings): the present practice of each plant operating its own small foundry has been found to be very high-cost and the construction of small casting, forging and pressing shops in areas where these specialized plants are to function has been prohibited. Marshal Bulganin, moreover, in his speech of 4 July 1955, drew attention to the fact that forgings and castings were a bottleneck.

[56] The 1960 goals for the building industry include an input of 28 million cu.m. of pre-cast concrete (of which 7 million cu.m. pre-stressed concrete). This compares with an input of 3 million cu.m. in 1954 and 5 million cu.m. in 1955.

[57] In the last Plan period a new production line—cultivator (row-crop) tractors—was created.

[58] Tyre production is to double, compared with an increase of about one-third in the estimated motor vehicle park. This will permit the more intensive use of motor transport and in fact the carriage of goods by road is to double.

[59] See Section 4 above.

Transport. — During the last five years railway goods traffic increased considerably faster than had been foreseen, though investment in transport was in total almost exactly what had been planned and in some sectors considerably below the planned amount (e.g., 42 per cent below in the case of railway electrification).

Railway goods traffic in the Soviet Union

	1950	*1955*	
		Plan	*Actual*
Volume of traffic (billions of ton-kilometres)	601	810-840	960
Number of heavy goods trains per month (thousands) . .	50	..	240

One of the aims of the Sixth Five-year Plan would appear to be to diminish the strain on capacity by a major programme of railway development, including electrification, double tracking, replacement of light rails, the improvement of locomotives, rolling stock and signalling equipment, etc. The Plan envisages the addition of 13,100 km. of new line and double track (compared with an addition of just under 8,000 km. in 1951-1955) the electrification of 8,100 km. (against 2,270 km. during 1951 to 1955), the renewal of 65,000 km. of track and larger investments in installations. Of these investments the most important is in electrification, and by 1960 40 to 45 per cent of the ton-kilometres run are to be worked by electric or diesel traction.

The shift of emphasis towards reducing future current costs in the coal industry at the expense of higher capital costs thus coincides with—though it would be wrong to say it is dictated by—the need to grant the railways (which carry 84 per cent of the country's traffic expressed in ton-kilometres) respite until the new programme of transport investment is completed. Coal transport has drawn particular attention not only because of its significant share in the volume of goods carried, but also because the average length of haul of coal has recently been increasing, whereas previously it had been decreasing.

Eastern European industrial plans 1950-1955 and 1956-1960

In the case of four countries—eastern Germany, Poland, Rumania and Albania—statistics recently issued by governments and reproduced in Tables XXXIII, XXXV, XXXVI and XXXVII make it possible to compare the actual output in 1955 of a number of industrial products with the 1955 targets set out four or five years earlier in the long-term plans.[63] The performance varied considerably amongst the different countries.

In Poland (see Table XXXV) the extractive industries did not hit their targets, but were not far off them. The output of electric power was below the figure planned, but more than doubled over six years. The iron and steel industries also nearly fulfilled their plan. In the engineering industries, as far as can be judged from the partial figures available, performance was patchy. Production of machine tools went very well; the output of railway wagons, largely for export to the Soviet Union and eastern European countries, was above the figure originally contemplated. Motor-car production, however, was less than half what had been hoped for in 1950, partly because of the competing demands of defence production, and the output of tractors also lagged behind schedule. The record of the textile and footwear industries was quantitatively good on the whole, though quality was evidently disappointing.

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[60] This seems to imply that the 1955 harvest was back to the 1950 level; the sown area was still below that level, but yields were excellent.

[61] Which is only part, but an increasing part, of total meat supplies.

[62] 1950 production allowed the equivalent of one tin per person every two months.

[63] For similar comparisons of actual production in the last years of the five-year plans of Czechoslovakia and Hungary, see SURVEY for 1954, Table 27, p. 43, and *Economic Bulletin for Europe*, Vol. 7, No. 2, p. 95.

Only in the cases of cement—where it is possible that the needs of the plan were over-estimated [64]—and fertilizers and basic chemicals was there a considerable lag of actual behind planned production.

In Rumania (see Table XXXVI) things went less well on the whole. The production of oil, together with that of natural gas, which had previously hardly been exploited, exceeded what had been planned. The engineering industry built up a considerable tractor production and, more important, an export trade in specialized oil equipment. The output of coal, however, was less than three-quarters of what had been planned, the output of the small iron and steel industry was also about one-quarter short of the target, the output of chemicals and cement lagged well behind schedule. The light industries—both food-processing, textiles and footwear—failed to come up to expectations and on the whole worked below capacity.

In eastern Germany (see Table XXXIII) production in 1955 was significantly below the targets set in 1951 in the case of all the basic commodities for which figures are available except one (sulphuric acid). It appears to have been in the textile industries, curiously enough, that fulfilment percentages, measured without regard to quality, were highest. During the later years of the plan, however, the production of coal increased very fast, with beneficial results on the output of a number of industries.

In Albania (see Table XXXVII) gross industrial output tripled over the period of the First Five-year Plan but even so was 8 per cent short of the planned total. The production of chrome ore and crude oil, however—Albania's main exports—reached and in the one case exceeded the planned amount.

No integrated plans for the years 1956 to 1960 have yet been published for any eastern European country. But it is clear from the fragments of advance information so far released that both the successes and the failures of the past five or six years have had a great influence on the shape of the new five-year plans. In Poland, where chemicals production had languished somewhat, a big effort is to be made to increase it. The recent discovery of rich sulphur deposits (estimated at 50 million tons at a depth of only 60 to 100 metres) will not only permit cheaper production of sulphuric acid, but should also yield an export surplus. In Rumania, where thanks to the discovery of a new oil-field (itself also the reward of systematic geological research) oil production has expanded beyond expectations, it is intended to extend the chemical industry largely by using the by-products of oil refining. On the other hand, engineering output is to increase less quickly than hitherto, most of the extra output being in specialized lines of production. It will be seen that the targets, at least at this preliminary stage, are prudently stated in terms of ranges of output.

Gross output of industry in Rumania

	1955		*1960*
	Plan announced in 1950	*Actual* (1950=100)	*Plan* 1955=100)
Total	244	216	160-175
Of which :			
Producer goods	..	231	170-175
Consumer goods	..	197	150-155
Engineering	216	262	180-200
Chemicals	264	304	250-300
Building materials	273	246	220

In eastern Germany very great importance is attached to the expansion of the output of brown coal, not only in order to increase supplies of energy, but also in order to form the basis of a specialized chemical industry. Much attention is being given to the expansion of plastics. The output of the heavy engineering industry is planned to increase by 80 per cent, much of the increase being for export. There is also to be a big expansion of aluminium production, which in turn requires a considerable electricity production based on low-grade coal.

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[64] Cement is also, however, an important export item.

6. Long-term plans for agriculture, 1956-1960

Crop production in the Soviet Sixth Five-year Plan

The draft Directives for the Soviet Sixth Five-year Plan call for a total grain crop of 180 million tons in 1960. This target is almost certainly on a barn yield basis [65] and is therefore up to one-fifth higher than the target range of 175 to 188 million tons for 1955 set in the Fifth Five-year Plan in terms of biological yield,[66] which was itself about one-third to

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[65] An article in the journal of the Central Statistical Administration, *Vestnik Statistiki*, No. 3, 1955, makes it clear that since 1954 Soviet harvest statistics are in terms of barn yield.

[66] Losses are said to be about a quarter of the crop on many collective and state farms and in some cases even more (*Pravda*, 24 June 1955). Average harvest losses in the Soviet Union are also said to be normally 24 per cent of the biological yield when harvesters were used, 13 per cent with reaper-binders, 6 per cent with combines and 26 per cent with scythes. (*Zycie Gospodarcze*, Warsaw, No. 5, 1955, p. 615.) The weighted average of all losses can thus hardly exceed 20 per cent.

40 per cent higher than the bumper crop of 1952, the last year for which official statistics of the grain harvest have been published in absolute figures. Index numbers covering the years 1950 to 1955 were, however, quoted by Mr. Khrushchev in his speech to the Party Congress held in February 1956: in the following table they have been applied to 1950 output adjusted to a barn-yield basis.

Soviet harvests in estimated barn yield

Millions of tons

	1950	*1951*	*1952*	*1953*	*1954*	*1955*	*1960 Plan*
Grain	100	97	113	101	105	129	180
Sunflower seed . .	2.8	2.7	3.4	4.1	3.0	5.8	8.9
Sugar beet	21.4	24.4	22.9	23.8	20.3	31.4	48.4
Cotton (unginned)	3.38	3.55	3.58	3.65	3.99	3.68	5.74
Flax (fibre) . . .	0.72	0.55	0.60	0.46	0.61	1.07	1.44

Sources : Index numbers 1950 to 1955 were given in *Pravda*, 15 February 1956, and 1960 on base 1955 in *Pravda*, 15 January 1956. Grain crops in biological yield were given in the plan fulfilment reports for 1950-1952: the index coincides with these data (which are in barn yield) if harvest losses of one-fifth are assumed in a poor year (1950) and one-sixth in a good year (1952). The 1950 crop harvests of other crops in biological yield were quoted in Table 19 of the *Economic Survey of Europe since the War* and have been reduced to estimated barn yield by a coefficient of 0.9.

The Directives state that grain yields per hectare are to be considerably raised, but do not say by how much. It is, however, plausible to assume that the total area under grain may be in the neighbourhood of 145 million hectares in 1960,[67] of which perhaps 22 million will be under maize.[68] The target average yield per hectare for small grains for 1960 is thus probably about 12 quintals per hectare (perhaps 12½ quintals on the old land), or about 25 per cent greater than in 1955. This compares with the increase of about 30 to 40 per cent over three years implied in the plan announced in 1952. Part of this increase in yield is to be obtained by decreasing harvest losses, and the Directives lay down that harvesting of small grain is to be completed in not more than ten days in the European part of the country and seven or eight in Siberia and the Far East.[69] A procedure called two-stage harvesting is to be introduced for grain where necessary during the next five years: this implies the windrowing of the crops and their harvesting in a second operation. To make this possible the production of windrowers has been started, and 50,000 will be produced in 1960. At the same time the output of grain combines for one-stage harvesting is to increase to 140,000.

During the last two years the main emphasis of agricultural policy has been on the extension of the sown area. The draft plan for 1956-1960 calls for the consolidation of this extension, and for the sowing, mainly to grain, of all the 30 million hectares ploughed up in the last two years.[70] But though the long-term potentialities of other zones of virgin land in eastern Siberia, in particular the Maritime Krai and the Jewish Autonomous Oblast of Birobidzhan, have been mentioned it seems that in the near future deliveries of agricultural equipment to the developed farming regions are to be speeded up. The draft plan appears to leave unchanged the long-term targets for fertilizer output formulated in September 1953.[71]

Very little is said in the draft directives on the expansion of crops other than grain. For the four crops for which the increases envisaged over the next five years are given—cotton (56 per cent), flax (35 per cent), sugar beet (54 per cent) and potatoes (85 per cent)—it is stated in the case of the first three that both the areas sown and yields per hectare are to be increased. In the case of potatoes only increases in area in the neighbourhood of the large towns are specifically mentioned:[72] as more early varieties are to be grown, yields cannot be expected to rise as fast as if the present sowing structure (in which heavy-yielding late varieties predominate) were maintained.

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[67] Assuming full use for grain of the 30 million hectares of new land (or its equivalent) and the rate of transfer to grain of old land, including fallow and grazing, envisaged in Mr. Khrushchev's speech of 25 January 1955.

[68] The target maize area for 1960 is 28 million hectares: on the basis of the apparent share of silage maize (classed as a fodder crop and not as a grain), it is estimated that 22 million out of this total would be classed as grain. The target maize yield for 1960 is here estimated as 16 quintals a hectare, the figure quoted for a 30-year period at an experimental station in the south-east in an article by Academician Lysenko in *Zemledelie*, No. 6, 1955: in 1950 the average yield was 11 quintals. (*Pravda*, 3 February 1955.)

[69] Unofficial suggestions were made during 1955 that machine and tractor stations, which are said to be mainly responsible for harvesting delays, should be required to guarantee, under pain of a monetary fine, a fixed harvesting period in their contracts with collective farms.

[70] In a speech to young workers from the new areas in January 1956, Mr. Khrushchev said that where the rainfall had shown itself to be particularly low or the soil excessively saline the lands would be allowed to revert to pasture. As these areas were previously very lightly stocked, however, there would in effect still be a net gain.

[71] The targets then announced were outputs of 16½ to 17½ million tons in 1959 and 28 to 30 million tons in 1964. The Directives for the Sixth Five-year Plan call for an output of 19.6 million tons in 1960.

[72] In February 1956 state prices for both compulsory deliveries and supplementary purchases were doubled for potatoes and raised by 70 per cent for other vegetables. If the retail prices of the Decree of 14 August 1954 are still in force they are below the new state buying prices for compulsory deliveries in the short season and for supplementary deliveries in the flush season. The state's profit on other vegetables is reduced for compulsory purchases and would be eliminated for supplementary purchases.

The Soviet livestock plans

Much of the planned increase in the output of grain (including nearly all the maize) and potatoes is intended for feeding to livestock, whose other fodder supplies—roots, hay, silage, feed-cake—are also planned to increase.[73] The target increases for the principle livestock products are shown in the following table.

Index numbers of Soviet livestock produce

1950 = 100

	1954	*1955*	*1960 Plan*
Meat [a]	129	130	260
Milk	108	119	232
Eggs	147	154	391
Wool	128	142	258

Sources : *Pravda,* 15 January and 15 February 1956.

[a] In live weight.

The extra wool is to result from an increase in the number of sheep of 43 per cent. Though the plan directives are silent on the point, it seems that in the case of meat and milk the existing emphasis on increasing yields rather than numbers is to be maintained. In the case of pigs also the main stress in public discussion is on the importance of improving quality by fattening. As, however, it is planned to increase the quantity of pork six-fold, until it forms in 1960 half of the expanded supplies of meat, the number of pigs, which has recently increased surprisingly little, will obviously have to be increased.

Mechanization plans in the Soviet Union

The draft plan also lays much stress on the increased mechanization of agriculture. As Table 92 shows, the aggregate supply of new power added to the Soviet tractor park in the course of the next five years is to be 96 per cent greater than in 1951-1955 and 2½ times as many grain combines are to be produced. By 1960, moreover, each tractor is expected to do one-third more work daily than it did in 1955. Row crop tractors, which were introduced during the last plan period, are to be supplied in notably large numbers, and the maize campaign in the coming five-year plan is reflected in the supply of 250,000 maize and silage harvesters.

TABLE 92

Supplies of equipment delivered to agricultural users in the Soviet Union

	Tractors *Millions of draw-bar H.P.*	Grain combines *Thousands*	Lorries *Thousands*
1951	2.05	53	59
1952	1.97	41	57
1953	2.52	41	69
1954	2.79	37	116
1955	3.27	46	112
Total 1951-1955 . .	12.60	218	413
Total 1956-1960 Plan	24.75	560	. .

Sources : Plan fulfilment reports (row-crop tractors were not included in published totals of aggregate horse-power in 1953 and 1954, but were given separately; they have been converted at 24 H.P. per tractor for 1953, as shown in *Exportno-importny Slovar*, 1954, Vol. 3, p. 262); *Pravda*, 15 January and 15 February 1956.

Decentralization of Soviet agricultural planning

In agriculture, as in industry, some steps have recently been taken to simplify the directives given to individual enterprises, and to encourage local and individual incentives to a somewhat greater extent. Since 1953 there has been an increasing tendency to rely on incentives rather than compulsion in dealing with the co-operative sector of agriculture.[74] The latest institutional changes carry this process a stage farther.

Whereas until March 1955 sowing patterns, output plans and livestock breeding schedules were laid down centrally, under the new system then introduced collective farms are to be informed by 1 September each year of the minimum delivery quotas that they will have to fulfil during the next cropping season, and it is to be left to the management of each farm to choose the sowing and breeding pattern which seems likely to maximize its profits, given these obligations. This choice is, however, not to be entirely free: before it can be translated into a firm decision it has to be approved by the rural district council and, more important, by the local machine and tractor station, which has to satisfy itself that the farm's plans are really consistent with its delivery obligations.

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[73] The plan Directives make a special point of requiring collective farms to grow enough fodder to supply their members' private livestock.

[74] This dates from Stalin's emphasis on the difference between the two forms of socialist production—production by state enterprises and production by collective farms, " which are unwilling to alienate their products except in the form of commodities in exchange for which they desire to receive the commodities they use " (" Economic Problems of Socialism in the U.S.S.R.", *Bolshevik*, No. 18, 1952, p. 9). This emphasis was quite new to Soviet economic thinking (see Oskar Lange, " The Economic Laws of Socialist Society in the Light of Joseph Stalin's Last Work ", *Nauka Polska*, No. 1, Warsaw, 1953, reprinted in an English translation in *International Economic Papers*, No. 4, 1955).

Under the system ruling from 1938 to the present, the machine and tractor stations would have had little incentive to fulfil this duty conscientiously because they had no financial autonomy: they were financed directly from the state budget, into which they paid all their receipts, and their plans were centrally laid down for them by the State. In 1956, therefore, a start is to be made in the direction of transforming the stations into autonomous enterprises run on a commercial basis, and as a preparation for this only a single global target was set for each station in 1955, in place of the plans for 22 types of tractor work fixed centrally in 1954.

The same partial substitution of financial control for administrative control is to be observed in the case of state farms. Until the 1954 increases in the prices paid for their produce, state farms had usually been run at a loss. In 1955 most of them had been made solvent. In 1956 the average rate of profit on costs of production to be earned by state farms is set at twice the rate earned in 1955.

Finally, within collective farms the incentive policy is to be extended. In order to ensure members' personal interest in results, groups of collective farmers are to be made responsible for the care of particular pieces of land and particular cattle throughout the year. And a number of collective farms have started to make monthly payments to members for labour-days, in order that the correlation between effort and reward shall be higher or at any rate more obvious. There are, however, still unresolved difficulties in measuring productivity [75] and in fixing incentive bonuses.[76] These recent developments differ from the price reforms of 1953-54 in that they are directed exclusively to the encouragement of effort in the purely collective sector, as distinct from the plots of individual members. Indeed, there are some suggestions that the concessions to private plot-holders made in 1953-54 are now thought to have gone perhaps too far. Thus in December 1954 the journal of the Ministry of Agriculture [77] drew attention to a government regulation which lays down that the determination of farm members' obligatory minimum of labour-days must be governed by the needs of the communal sector of the farm and that in any event this minimum must exceed the 1953 minimum for the farm. And recent references to the inadequacy of the law on private plots [78] and current work on collective farm laws [79] suggest that changes may be coming which will strengthen the collective at the expense of the private sector.

Agricultural plans and planning in eastern Europe

Very little has so far been published on the agricultural targets of the current five-year plans of eastern European governments. The Bulgarian Government's plan issued in 1952 called for an increase in total agricultural output of two-thirds from 1952 to 1957. At the time this looked an ambitious target; given reasonable weather, however, there seems no reason why it should not be achieved.

Elsewhere in eastern Europe, as is now common knowledge, the agricultural programmes of the first long-term plans were unrealized, partly, doubtless, because they were inherently over-optimistic and partly because in the early years of the plans too few industrial resources were placed at the disposal of farmers at a time when the contemporary collectivization campaigns were in any case unsettling peasants. Since 1953 much has been done to provide resources and encouragement for farmers.

Nevertheless, in the only two countries for which global agricultural plans have been published for 1960—Czechoslovakia and Poland—the striking thing is their modesty, compared with earlier targets. In Czechoslovakia the aim is to increase total agricultural output by 30 per cent over the 1955 level: in 1949 the aim was to increase output by 37 per cent over five years, a target afterwards changed to 53 per cent. The Polish plan calls for an increase of only 25 per cent over five years, implying a rate of growth about equal, as Table 89 shows, to that actually achieved during the last three years: the 1950 plan had demanded an increase of 50 per cent over the six years up to 1955. In both cases the output of animal products is to increase somewhat faster than total agricultural output: the number of cattle is to be increased from 8 to 10 million in Poland, the number of sheep from something like 4.2 to 6 million, and the number of pigs, already high, from 10.9 to 12.5 million. It is hoped to raise grain yields by 14 per cent.

As in the Soviet Union, all recent policy measures in eastern Europe have been in the direction of encouraging farmers to do what the plans demand, rather than attempting to enforce their compliance by administrative measures—of using changes in relative prices, in fact, to do some of the central planners' work for them. The latest example of this tendency is a decree issued in eastern Germany which, by reducing the prices paid for above-quota deliveries (made only by relatively few farms) and increasing the prices paid for compulsory deliveries (made by all farms), creams off some quasi-rent from farms well supplied with equipment and family labour and increases incentives for others.

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[75] The problems are discussed in *Vestnik Statistiki*, No. 5, 1955, and figure prominently in the current research programme of the Institute of Economics.

[76] The Soviet legal journal, *Sovetskoe Gosudarstvo i Pravo*, No. 3, 1955, suggested payments varying with weight as well as number to those caring for young animals, bonuses to drivers for saving fuel and to mechanics for accelerating repairs.

[77] *Sotsialisticheskoe Selskoe Khozyaistvo*, No. 12, 1954, p. 6.

[78] *Sovetskoe Gosudarstvo i Pravo*, No. 2, 1955, p. 48.

[79] *Ibid.*, No. 1, 1955, pp. 1-9 and No. 3, 1955, p. 33.

In 1955, moreover, directives to individual farmers were simplified, in much the same way as in the Soviet Union, in all the countries of eastern Europe. Nevertheless, the similarity cannot be pressed too far, because of the basic institutional differences between the Soviet Union, where private farming is limited to the plots of collective farmers, and eastern Europe, where—except in Bulgaria—the bulk of agriculture is still in private hands.

Collectivization policy in eastern Europe

During the last two years the pattern of land ownership has changed very little in eastern Europe. As Table 93 shows, the area covered by co-operative and state farms, which declined in Czechoslovakia and Hungary during the course of 1953, has since increased somewhat in these countries and by rather more—about half a million hectares—in eastern Germany and Poland. The Prime Minister of Czechoslovakia, Mr. Siroky, explained recently that there were three schools of thought on the whole question of collectivization.[80] At the one extreme were those who considered that the removal of all obstacles to the development of private farming was essential if agricultural yields were to be increased adequately. At the other were those who thought of the 1953 halting of the collectivization campaign as a purely tactical withdrawal and wished to " set the precipitate collectivization policy in motion again as soon as possible ". The middle school, with whom Mr. Siroky ranged himself, considered that the " pause for breath " should be continued, but that everything should be done to prevent the decay of existing co-operative farms, while simultaneously the development of private farming should be controlled. There was a similar debate in Hungary, whose outcome was summed up by Mr. Rákosi, First Secretary of the Party, as follows: " We help individual working peasants in every way in order to induce them to produce as much as possible, as long as they do not decide spontaneously to join co-operatives, seeing their attractive example." [81]

Nevertheless, a number of recent declarations of policy suggest that in several countries the pace of collectivization is to be quickened again. In Hungary a resolution of the Central Committee of the Hungarian Workers' Party stated in June 1955 that " the two main problems—socialist reorganization and development of agricultural production—have to be resolved simultaneously ",[82] and it was announced that it was the Government's intention to bring more than half of the total agricultural land into the socialist sector by 1960. This would involve transferring about one million hectares of land from private to co-operative ownership in the next five years. In Rumania, the directives of the Second Five-Year Plan demand that 60 to 70 per cent of the saleable output of agriculture should be provided by the socialist sector in 1960. This implies transferring upwards of 2 million hectares of land to collective ownership. The First Secretary of the Czechoslovak Communist Party, Mr. Novotny, has announced that, though no rigid target is to be fixed, the Government will try to make co-operative farming predominant in Czechoslovakia by 1960.[83] In eastern Germany, Mr. Ulbricht insisted that the moment had come for peasants to join co-operative farms and that there must be no further procrastination.[84] The 1956-1960 plan for Poland calls for an increase in the co-operative sector's share of agricultural land from 9 per cent in 1955 to 20 to 25 per cent in 1960. Finally, the number of Albanian collective farms increased in the last quarter of 1955 by as many as had been founded from 1946 to early 1954 and in December 1955 the Chairman of the Council of Ministers expressed his conviction that the number of collectives would double during 1956.

In Czechoslovakia, eastern Germany and Poland only a fraction of the members of co-operative farms before 1951 had brought their own land into the farms: the greater part of the land had been confiscated from big land-owners or deserted by its owners.[85] It was precisely when the campaign to force individual peasants to pool their land started that collectivization ran into difficulties. All future increases in the co-operative sector, however, will involve the transfer of individual peasants' holdings to communal

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[80] *Nová Mysl*, No. 5, 1955.

[81] *Szabad Nép*, 27 March 1955.

[82] *Szabad Nép*, 11 June 1955.

[83] *Rudé Právo*, 1 July 1955.

[84] *Neues Deutschland*, 10 December 1955.

[85] Even in June 1953 four-fifths of the land in co-operative farms in Czechoslovakia did not come directly from peasants. Similarly in Poland, co-operative farms were largely in the western provinces.

TABLE 93

Socialist sector in eastern European agriculture

Country	Year and quarter	Co-operative farms				State farms		Socialist sector
				Arable land			Arable land	Arable land
		Number	Incorporated farms (Thousands)	Thousands of hectares	Percentage of total	Number	Thousands of hectares	Percentage of total
Albania	1953 I	118	6.3	20.4	5.8	..	20	..
	1954 I	128	7.5	25.8	6.9	28 [a]	..	12.8
	IV	150	8.5	30.0	8	..	..	..
	1955 I	160	8.6 [b]	32.5	9.3	21	20	..
	III	189	9.7	..	..	..	..	14
	IV	318	..	..	..	..	..	..
Bulgaria	1953 IV	2 747	569	2 513 [c]	60.5 [c]	100	170 [c]	63 [c]
	1955 I	2 721	590	2 530 [c]	61.3 [c]	108	200 [c]	64.3
	III	2 747	600	2 590 [c]	61.7 [c]	..	..	65 [c]
Czechoslovakia	1953 II	8 284 [d]	343.9	2 140	44.0	..	482	53
	IV	7 350 [d]	..	1 610	33.0	..	482	42
	1955 II	6 663 [d]	217.6	1 590	32.9 [e]	..	..	..
	III	6 780 [d]	224	1 602	..	..	..	..
	IV	7 016 [d]	335	..	29 [e]	..	..	43.1
Eastern Germany	1952 IV	1 906	37	218 [g]	3 [g]	..	250 [g]	..
	1953 IV	4 691	129	751 [g]	12 [g]	..	250 [g]	30 [g]
	1954 IV	5 120	158	931 [g]	14 [g]	..	250 [g]	28 [g]
	1955 IV	6 047	197	1 279 [g]	20 [g]	..	250 [g]	33 [g]
Hungary	1953 I	5 315	..	1 381	26	..	685	37
	IV	4 677	..	1 087	20	..	693	33
	1954 II	4 500	..	978	18	..	..	31
	IV	4 381	..	1 090	..	494	689	..
	1955 II	4 550	..	..	..	..	..	..
	IV	4 817	..	1 280	23	..	710	34
Poland	1952 IV	4 478	115.6	627	3.9	..	..	..
	1953 IV	7 772	192.2	1 068	6.7	..	2 489 [g]	..
	1954 IV	9 712	205	1 295	8.1	..	2 484 [g]	19 [g]
	1955 II	9 800	200	..	..	..	..	..
	IV	9 963	200	..	..	..	2 580 [g]	24 [g]
Rumania	1953 II	3 980 [h]	300 [h]	982 [h]	10.6 [h]	..	..	25
	1954 IV	5 000 [h]	318 [h]	1 100 [h]	11.5 [h]	..	..	24
	1955 IV	6 325 [h]	382 [h]	1 203 [h]	12.4 [h]	..	1 329	26.5 [i]

Sources : *Albanie-Bulletin de l'ATA*, 20 January 1956; *Rudé Právo*, 1 July and 6 September 1955, 14 January and 9 February 1956; *Za Socialistické Zemědělství*, No. 17, 1955, p. 1083; *Szabad Nép.*, 31 March and 8 May 1955; *Magyarországi Események*, January-February 1955; *Nowe Drogi*, No. 10, 1955, p. 45, No. 11, 1955, p. 28 and 84; *Zycie Gospodarcze*, No. 11, 1955, p. 412; *Statistische Praxis*, No. 8, 1955; *Gospodarka Planowa*, No. 7, 1955; *For a lasting peace, for a People's Democracy*, Bucharest, 18 November 1955; *Economic Bulletin for Europe*, Vol. 7, No. 2, Table 15, p. 25; Plan fulfilment reports and direct communications from governments.

NOTE. — The share of land in the socialist sector does not in all cases correspond to the sum of the shares of co-operative and state farms; in eastern Germany it also includes land under communal management and in Poland some land owned by state industrial and other enterprises.

[a] End of 1953.

[b] With 51,000 persons.

[c] Cultivated land.

[d] Excluding the simplest types of co-operative, in which only farm machinery is pooled (Type I).

[e] Advanced-type co-operative farms only (Types III-IV).

[g] Agricultural land.

[h] Joint tilling co-operatives are included; they did not exist in 1950.

[i] Including also simple associations.

ownership and are thus bound to be unpopular unless great care is taken to make conditions on co-operative farms attractive by comparison not merely with life on private farms, but—particularly in Czechoslovakia and eastern Germany, where manpower is in high demand in all sectors of the economy—also with conditions in industry.

This is fully realized by all governments, and it is emphasized that further collectivization can be a success only if it is willingly accepted by peasants [86] and by the sons of peasants.[87] On the other hand, there are clearly limits to the voluntary principle, which, it is admitted, cannot be carried so far as to permit contracting out by minorities in villages where the majority of peasants choose co-operation; and in Czechoslovakia, indeed, it has been stated that in villages where only a minority of peasants want to join a co-operative that minority will receive government support.[88]

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[86] Hence the stress in several countries, notably Poland, on the importance of first introducing the simpler types of co-operative, in which not everything is pooled.

[87] " The young people regard co-operative farms as the future form of agricultural activity. But the idea of the co-operative farm in the mind of the young is not the same as that held by those people, who . . . are persuaded that a socialist village will be a prosperous one. It is conceived according to the current opinion of peasants, formed mainly by adversaries of co-operative farming. " (*Nowe Drogi*, No. 11, Warsaw, 1955, p. 81). Similar regrets have been expressed in Czechoslovakia and eastern Germany.

[88] Mr. Novotny, First Secretary of the Czechoslovak Communist Party, reported in *Rudé Právo*, 1 July 1955.

Chapter 7

THE PLANNING AND FINANCE OF INVESTMENT IN THE SOVIET UNION AND EASTERN EUROPE

1. The determination of the level of total investment

The necessity for a large and growing volume of investment is accepted as the major premise of economic planning in the Soviet Union and the countries of eastern Europe. The governments of these countries proceed from the assumption that economic growth must be continuous, and use Marx's distinction between simple reproduction (a stationary economy in which gross investment equals physical replacement of capital) and continuously expanded reproduction in order to illustrate the need for a growing volume of net investment. Stalin's formulation of the principle which has governed policy in the Soviet Union for many years and which is referred to as the Fundamental Economic Law of Socialism, reads as follows: [1] "... the securing of the maximum satisfaction of the constantly rising material and cultural requirements of the whole of society through the continuous expansion and perfection of socialist production on the basis of highest techniques." The existing stock of capital goods and labour must thus be fully employed, and as productivity increases owing to technical progress and changes in factor proportions, consumption per head [2] must increase too. The increase in consumption must not, however, be so great as to bring the future rate of growth of the economy to a standstill by creating capacity bottlenecks.

While this statement of policy indicates the general line of development intended and figures prominently in virtually all discussions of major economic issues in the Soviet Union and eastern Europe, it does not attempt to provide any precise guidance as to the rate of growth which should be aimed at in any particular country or period. Or, put another way, it instructs planners to plan so as both to increase real wages now and to lay the foundations of potential future rises in real wages, but it does not suggest what the appropriate rate of exchange is between potential consumption forgone now and consumption in the finite future. The share of the annual increments of national income which should be devoted to accumulation is left open and in principle could be varied each year as circumstances changed.

The 25 per cent rule for accumulation

In practice, a very high proportion of the increments of income was allotted to accumulation during the first two Soviet Five-year Plans, when the aim was to expand productive capacity at all costs. During this early phase, indeed, which was considered as one of transition to socialism, consumption (including consumption by peasants) did not expand at all, and even fell. With the introduction of the Third Five-year Plan, which was to run from 1938 to 1942, there was a marked change: the share of accumulation [3] at the margin was reduced to something approaching the over-all share, which was allowed to settle down at about 25 per cent. And though precise figures have not been published since 1950 [4] it is clear from discussions of theoretical problems by Soviet economists that things have been much the same since the introduction of the Fifth Five-year Plan (1951): as a working rule it seems to be accepted that year in, year out, about one-quarter of national income (measured at current prices) shall be devoted to accumulation [5]—that is, to new fixed capital formation,[6] additions to stocks (including state reserves) and work in progress, and additions to reserves of gold and foreign exchange.

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[1] J. V. Stalin, "Economic Problems of Socialism in the USSR", *Bolshevik*, No. 18, 1952, p. 22.

[2] Total consumption must increase even more, as a rise in population is considered desirable.

[3] "The accumulation fund is used for the expansion of production (the formation of basic and circulating capital) and the formation of state reserves." "The consumption fund includes the revenues directly used for the personal consumption of the workers of the socialist society and for the satisfaction of their social needs.... The consumption fund also includes the preponderant part of expenditure on the needs of the defence of the country and state security." (A. D. Allakhverdyan, *Nekotorye voprosy teorii sovetskikh finansov*, 1951, pp. 31 and 30 respectively.)

"The consumption fund consists of (*a*) the needs of the population paid for out of individual incomes, (*b*) the needs of those serving in the armed forces, and (*c*) material expenditure on the maintenance and operation of the non-productive sphere (including the wearing out of houses and other non-productive capital)" [i.e., repairs to non-productive capital] (M. Bor, *Voprosy Ekonomiki*, No. 10, 1954, p. 89).

[4] "The working people of the USSR received in 1950 74 per cent of the national income to meet their personal material and cultural requirements, while the remaining 26 per cent remained at the disposal of the State, of the collective farms and of the co-operative organizations for expanding socialist production and for other needs of the State and society." ("Results of the Fulfilment of the Fourth Five-year Plan", *Izvestia*, 17 April 1951). The Plan Results for both 1951 and 1952 reported that "As in the preceding year, the working people of the USSR received about three-quarters of the national income to meet their personal material and cultural requirements while the other part remained at the disposal of the State..." The 1953 Plan Results stated that "the share of the national income at the personal disposal of the working people increased, while the share remaining at the disposal of the State [i.e., new investment and a part of defence expenditure], dropped slightly."

It must be emphasized, however, that this working rule, considered as a guide to the allocation of resources, is less precise than might at first appear. It is the aim of policy in the Soviet Union to keep basic money wage rates and agricultural procurement prices [7] more or less constant,[8] and to make adjustments to increases in productivity within industry or agriculture by reductions in prices of consumer goods. The national wage-bill thus tends to rise as manpower moves from agriculture to industry, but less fast than in most western countries. Distributed incomes,[9] however, are only one part of money national income, which also includes the surplus of state enterprises. One component of this surplus—turnover tax receipts—has tended to remain rather constant in recent years, as reductions in rates of tax have offset increases in the volume of consumer goods. The other component, the net profits of state enterprises, has become larger in recent years, as a result of an increase in the ratio of wholesale prices to costs of production (in the last resort labour costs). It is this ratio, which can be varied at will (provided it does not fall below unity), that determines the size of profits and so of the money national income. The money value of investment—and the share of accumulation in the national income—is thus affected by the pricing policy adopted for investment goods as well as by decisions about real resources.

In the countries of eastern Europe the accumulation ratio has fluctuated far more than in the Soviet Union. After the reconstruction period there was in each country a rapid rise to peaks of about 30 per cent (see Table 107). Over the period of the most recent five- or six-year plans, as a whole, however, except in eastern Germany (which is a case apart because of its burden of reparations over most of this period), accumulation averaged about 25 per cent of national income, though with rather wide variations from year to year as plans changed and the expected increases of agricultural output failed fully to mature.

The shares of net investment in net national income,[10] or of gross fixed capital formation in gross national product, which are normally quoted for capitalist countries, are in any case not comparable with this accumulation ratio, for several reasons. The most important of these springs from the fact that Soviet and eastern European profit margins (including turnover tax) are far higher in the consumer goods industries than in the industries producing capital goods. Two factors pull in the other direction. Soviet and eastern European statisticians exclude from national income the cost of a number of services included in the west, and include part, though evidently only a small part, of defence expenditure in accumulation.

Further, accumulation in the Soviet Union, Czechoslovakia, Poland and Rumania appears to cover *new* investment [11] (that is, gross investment *less* equipment actually retired from use) [12] rather than *net* investment

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[5] See, for example, S. Strumilin, " The Balance of the National Economy as an Instrument of Socialist Planning ", *Voprosy Ekonomiki*, No. 11, 1954, p. 38: " Such a division of the national income, in which the personal and collective consumption of the population comprises up to three-quarters of the total national income, corresponds, as is known, to our planning practice."

[6] As is explained below, in the Soviet Union and most eastern European countries accumulation seems to cover *new* investment rather than net investment.

[7] In 1953, however, there was an exceptional increase in procurement prices.

[8] This preference the countries of eastern Europe, as distinct from the Soviet Union, have so far found impossible to show in practice.

[9] Only the incomes of " productive " workers are included in the national income.

[10] See Table 22.

[11] In eastern Germany, Hungary, and probably Bulgaria, however, it covers *net* investment.

[12] " Accumulation takes the form of capital investment, including also funds provided out of the amortization fund—that is, the fund for compensating for the wearing out of instruments of production." (A. I. Petrov (ed.) *Kurs ekonomicheskoi statistiki*, 1954, p. 420). It might be supposed that this statement should be read as implying that accumulation covers the whole of gross fixed capital formation—that is, that national income is measured before deduction of any depreciation. It can, however, be interpreted to mean that accumulation covers only gross fixed capital formation which is not merely replacement of worn-out assets. This interpretation is supported by two considerations. In the first place, the national income was defined by Marx as the production of commodities *less* the fixed capital used up in their production. It has usually been assumed that normal depreciation allowances are the best available measure of the fixed capital used up. But for the analysis of productive processes and the influence of capacity on them it may be more useful to assume that capital is not used up until it is replaced. Second, the stock of fixed capital (" basic funds ") in the Soviet Union is valued, for statistical purposes, at original cost or replacement cost, never at its written-down value. Increments of capital are thus equal to *new* investment *less* any increase in work in progress on uncompleted projects.

It will be seen from the example given in footnote 13 below that the practical difference between the two interpretations is not great in a rapidly growing economy and it may well be that the Soviet statisticians are content to treat gross investment as, for the time being, a satisfactory approximation to new investment.

(gross investment *less* current provision for amortization). In a stationary state with a balanced age-composition of capital, new investment and net investment would be identical. In a growing economy, however, current provisions for depreciation (if, as is usual in most countries and is certainly the case in the Soviet Union and eastern Europe, they are computed on the straight-line principle) cease to be a reasonable approximation to a measure of the actual retirements of worn-out machinery. In a fast-growing economy such as the Soviet Union, they seriously over-estimate retirements, and gross investment is a far better approximation to new investment than is net investment. It has been demonstrated[13] that, in an economy with a constant rate of growth of 10 per cent per annum and a stock of capital which needs to be replaced every thirty years, if all machinery is replaced at the appointed time, 95 per cent of gross investment will be new investment—that is, will represent increases in capacity. In an economy with a rate of growth of 3 per cent per annum and the same average length of life of assets, only 63 per cent of gross investment will represent increases in capacity.

It is impossible to allow for all these factors. On balance, however, there is no doubt that the 25 per cent rule yields a share of accumulation in income, however the terms are defined, significantly greater than that obtaining in most western countries. It has been computed by a Soviet statistician that in 1950, a year when the accumulation ratio in the Soviet Union was 24 per cent, the corresponding figure (defined in terms of Marxist concepts) in the United States was 18½ per cent.[14] But because of the higher rate of growth in the Soviet Union a far bigger share of the accumulation there took the form of increases in capacity.

Accumulation and rates of growth

In Table 94 the average accumulation ratios, in the various countries, unadjusted to take account of differences in relative prices of the type discussed above, are set out side by side with the annual rates of growth recorded in the official statistics, and marginal capital/output ratios are derived for each country. At first sight, both the rates of growth and the derived capital/output ratios seem to differ rather considerably from country to country. But this is very largely owing to the accidental circumstance that in the starting years and concluding years of the periods covered harvests were sometimes abnormally good or abnormally bad. If a rough allowance is made for this factor, a far more uniform picture appears. Broadly speaking, it would seem that the 25 per cent accumulation ratio which has ruled in all the countries except eastern Germany has resulted in an annual rate of growth of 8 to 11 per cent, and that the capital/output ratios have been between 2¼ and 3 —in other words, that investment raises national income by 33 to 45 per cent of the amount invested. In eastern Germany, however, the capital/output ratio has undoubtedly been substantially lower—more like 1¼.

These capital/output ratios are rather low by comparison with what is usually taken as normal in western economies. In part, this is due to a more intensive utilization of capital in the Soviet Union and eastern Europe (e.g., a more widespread adoption of three-shift working, and shorter cold times for furnaces and repair times for machinery).[15] It must be remembered, however, that the factors mentioned above, which tend to make accumulation ratios in the west rather higher than they would be in Marxist accounting, by the same token tend to inflate capital/output ratios. Moreover, for purely statistical reasons the official estimates of the annual rate of growth of national income in the Soviet and eastern European economies tend to be on the high side, particularly in the countries with a high but declining proportion of their population in agriculture. This is because consumption of food on farms is valued at average wholesale prices: as manpower leaves the land, the national income (at both constant and current prices) thus rises,

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[13] See E. D. Domar, " Depreciation, Replacement and Growth ", *Economic Journal*, March 1953, pp. 3-10. Domar writes G for gross fixed capital formation, R for replacements, r for the annual rate of growth of gross investment and m for the average length of life of fixed capital. He then shows that the relationships between the various magnitudes, with constant prices and discontinuous functions, can be written as follows for any year more than m years later than the start of growth:

$$R/G = \frac{1}{(1+r)^m}$$

For an economy in which $r = 10$ per cent per annum, and $m = 30$ years, so that $rm = 3$, $R/G = 5$ per cent—i.e., new investment is 95 per cent of gross investment.

For an economy in which $r = 3$ per cent per annum and $m = 30$ years, so that rm is roughly equal to unity, $R/G = 37$ per cent—i.e., new investment is 63 per cent of gross investment.

[14] M. Kolganov, " Methods of Recomputing the National Income of the United States ", *Voprosy Ekonomiki*, No. 11, 1955, p. 113. The computation allows (p. 100) for indirect taxes on consumption as paid in the United States, but since these are much lower than turnover taxes in the Soviet Union, the difference in price structures between the two economies must still be very great. Further adjustments to make the price structures more comparable would doubtless widen still more the disparity in the figures shown above for the share of accumulation in income.

[15] The new textbook on economics published by the Academy of Sciences of the USSR (Institute of Economics) claims that utilization of industrial capacity as a whole is about twice as intensive as in capitalist countries (*Politicheskaya ekonomia*, 1954, p. 470).

TABLE 94

Accumulation and rates of growth in the Soviet Union and eastern Europe

Country (1)	Period (2)	Share of national income devoted to accumulation *Percentage* (3)	Marginal capital/output ratio for the whole economy (= column 3 ÷ column 5) (4)	Annual rate of growth of national income [a] *Percentage* (5)
Soviet Union	1951–54	*circa* 25	2.5	10
Bulgaria	1948–52	25	1.8	13½
Czechoslovakia	1949–53	25	2.6	9½
Hungary	1950–54	24	2.8 [b]	8½ [b]
Poland	1950–55	25	2.3 [c]	11 [c]
Rumania	1950–55	*circa* 25	*circa* 2 [d]	13 [d]
Eastern Germany	1951–55	12	1.2	10

Sources: Tables 103 and 109, footnote 4; *Pravda*, 15 January 1956.

NOTE. — The figures in this table should be taken only as rough orders of magnitude. The marginal capital/output ratios have in fact been obtained by dividing the share of national income *at current prices* devoted to accumulation by the annual rate of growth of national income *at constant prices*. They are therefore not true capital/output ratios, because they also reflect changes in the relative prices of capital goods and consumer goods.

[a] The figures in this column tend to be over-estimates in every case, because of the fact that in the official computations of national income at constant prices food consumed on farms is valued at average wholesale prices. A shift of manpower from agriculture to industry thus increases national income, as estimated, not only because productivity is higher in industry than in agriculture, but also because the share of agricultural output which is sold at retail, and so valued at base-year retail prices, increases. The degree of over-estimation is greater for Bulgaria and Rumania than for the other countries.

[b] The harvest was above the average in Hungary in 1949 and below the average in 1954. As a result, the average rate of growth—chance fluctuations in weather apart—is under-estimated here, and the true capital/output ratio correspondingly over-estimated

[c] The harvest was abnormally good in Poland in 1955. As a result, the average rate of growth, after correction for the weather, is over-estimated here, and the true capital/output ratio correspondingly under-estimated.

[d] Owing to the weather, the harvest was unusually bad in Rumania in 1950 and unusually good in 1955. As a result, the average rate of growth, weather conditions apart, is over-estimated significantly here, and the true capital/output ratio correspondingly under-estimated.

not merely because productivity in industry is higher than in agriculture, but also because the share of farm output which is sold at retail (and therefore gets a bigger weight) increases. The effect of this on the official estimates of rates of growth is unknown, but can hardly be negligible, given the unusually wide spread between retail prices and average wholesale prices in the case of agricultural produce.

2. THE PRINCIPLES FOLLOWED IN ALLOCATING INVESTMENT BETWEEN DIFFERENT SECTORS

It has long been a commonplace that in a socialist state (and, indeed, in a managed capitalist state) the decision on the total share of national income to be devoted to accumulation must be taken by the Government. But it has been assumed by most economists in the west that the allocation of this total between competing uses could best be decided by a system of bids and counter-bids by individual socialized enterprises in much the same way as investment funds are allocated in capitalist economies today. And indeed nationalized industries in capitalist countries have generally been left to make their own investment plans in much the same way as private entrepreneurs, judging the desirability of investment mainly by a cautious assessment of profitability and without much positive guidance from the government. In Yugoslavia, similarly, though part of investment in the basic industries is centrally determined, individual socialized enterprises make bids for the remainder of the investment funds.

The Soviet and the post-war eastern European economies have conformed to this mixed pattern only in the periods of transition to a fully planned economy. From the end of the NEP period in the Soviet Union and of the post-war reconstruction plans in eastern Europe the great bulk of investment decisions have been taken centrally,[16] and the role of the managers of socialized enterprises has, at any rate formally, been limited to responsibility for the current operations of their enterprises. In other words, the Council of Ministers sets certain general directives as to the shape of the economy five years hence, the state planning commission calculates what extension of capacity in the various branches will be needed in order to realize these objectives, and the project-makers in the ministries responsible for these branches work out detailed plans for providing this capacity. The procedure is repeated in the preparation of the annual investment plans,[17] except that the broad lines of development are already laid down in the five-year plan and the proportion of " committed resources " (uncompleted projects) is greater.

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[16] This does not, of course, mean that there has not been in the Soviet Union some devolution of responsibility for approving investment from the All-Union Government to the governments of the Republics nor that enterprises or economic administrations do not formulate investment proposals. What is meant is that decisions to invest are made at a level above that of the individual enterprise or the individual ministry responsible for a group of enterprises.

The preparation of an investment programme thus involves a number of policy decisions at the highest level, and a series of decisions taken on technical grounds at the planning commission. It is really only at the third stage, when a given objective within an already determined programme can be attained by more than one road, that choices involving comparisons of costs and returns have to be made. Finally, the investment programme eventually decided on is costed in terms of a standard list of prices and is entered into the plan. Progress in fulfilling the programme is measured in terms of the same standard prices.

The role of the planning commission is thus twofold. First of all, it has to assist the Council of Ministers in implementing the Fundamental Law—that is, to verify that the various objectives set at the highest level are consistent with this law. It might, for example, happen that the rate of growth aimed at would involve such heavy investment that there would be no room for any increase in consumption. In that case there would, in principle, have to be a revision of the original objectives.

Second, it has to translate the revised objectives into an investment programme stated in terms of additions to productive capacity and to the community's stock of non-productive capital, of production plans for the various types of consumer and defence goods and of the output of the producer goods needed to realize the objectives. In making this translation it is its obligation to try to ensure that bottlenecks which would slow down the rate of growth shall be avoided; that stocks shall not be accumulated in excess of the amount needed to keep the economic machine oiled; and that consumers' effective demand shall be in balance with supplies of consumer goods: to ensure, as it is put, that the Law of Planned, Proportionate Development shall be fulfilled. This law, unlike the Fundamental Law of Socialism, is not a statement of policy, but rather an instruction to the planning commission to ensure that the rates of growth of the various sectors of the economy are consistent with one another and with the rate of growth of final output implied by the policy directives of the Government.[18]

The method of material balances

In translating the Government's general directives into output plans, the Soviet planners and their colleagues in eastern Europe use what is described as the " method of material balances ". They estimate, that is, the total derived demand for each of the basic materials and semi-finished manufactures which is implied by the pattern of final output desired in each year of the plan, and confront it with the supplies that can be expected from existing capacity. This enables them to calculate the increase in capacity which will be needed. This increase in turn will increase the derived demand for basic materials, which will call for a further increase in capacity, and so on.

The method of material balances is thus conceptually very similar to the method of input-output analysis developed in western countries though so far hardly used there as an instrument of national planning.

There are, however, two important differences. In the first place, the input-output coefficients used are marginal: there is no need for the Soviet planners to adopt the dubious approximation of average coefficients obtained by inverting a matrix of input-output ratios when they can use realistic coefficients derived from engineering experience in their newer factories. Second, there has evidently not so far been any attempt to construct a complete matrix: the " balances " used are made up separately for each material. This has the advantage of flexibility, but the disadvantage that hidden inconsistencies may arise in practice.

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[17] In the Soviet Union the planning body responsible for annual planning (Gosekonomkomissia) was separated in May 1955 from the long-term planning authority (Gosplan). In other countries of eastern Europe the same planning commission is entrusted with both duties.

[18] Stalin (loc. cit.) expresses it as follows: " It is said that the Law of Planned, Proportionate Development of the economy is the Fundamental Law of Socialism. That is not true. ... The Law of Planned Development of the economy can yield the desired result only if there is a purpose for the sake of which economic development is planned. This purpose the Law of Planned Development of the national economy cannot itself provide."

The whole procedure, however, is based on the study of purely technical relationships. The Law of Planned Development in itself gives no direct guidance as to the industrial distribution of investment.

The relative rates of growth of heavy and light industry in the Soviet Union

There have, however, been recurrent attempts by Soviet economists to attach a more precise meaning to the Law and to derive from it a general rule for the allocation of investment resources. From the time of Lenin onwards many Marxist economists have interpreted the requirement of balanced growth without waste and hold-ups as necessarily implying a higher rate of growth in the producer-goods sector (Marx's " Department I " of the economy) than in the consumer-goods sector (Marx's " Department II "). Moreover, they have implicitly tended to identify the output of producer goods (capital goods and materials and semi-finished goods used in the production of consumer goods) with the output of the so-called heavy industries (those producing minerals, fuel and energy, metals, engineering products, building materials and chemicals). They have thus interpreted the Law of Development as an instruction to the planning commission to ensure that these industries shall always (at any rate until the stage of communism is reached) expand faster than the light industries and agriculture. Otherwise, it is argued, growth will eventually be brought to a standstill—that is, in Soviet terminology, the Fundamental Law of Socialism, the major premise of successful planning, will cease to operate.

It is easy to see how this view gained currency, particularly among economists thinking in Marxist terms. Marx emphasized that, historically, increases in productivity had been associated with an increased supply of machinery. To make the transition from a stationary state (" simple reproduction ") to the stage of regular growth (" expanded reproduction "), it was therefore necessary to increase the output of producer goods faster than that of consumer goods. This was the situation in the Soviet Union at the outset of the First Five-year Plan.[19] It was therefore quite natural that heavy industry should enjoy a preferential rate of growth.

There was a second reason for putting resources into heavy industry, a justification for which can also be found in Marx. In the famous analysis of capitalism (as compared with feudalism) in the *Communist Manifesto*, Marx and Engels wrote of the success of capitalism in breaking down islands of self-sufficiency and mobilizing a surplus of consumer goods which could be used to feed and clothe the workers engaged on expanding the output of capital goods. The Soviet leaders did not fail to see important implications for their investment policy. A policy of encouraging small farmers and handicraftsmen to improve their techniques might be cheap in terms of capital requirements. But the surplus thus generated would be largely sterilized, in the sense that it would be consumed on the spot. Far better, from the point of view of maintaining a high rate of growth, to expand factory production and to transform agriculture from a handicraft activity to something approaching factory production. But this again demanded machinery and so a higher rate of growth in the producer-goods industries.

In addition to these economic considerations, there was the political argument, also adumbrated by Marx, for increasing the number of industrial workers, who were regarded as the class on whom the success of the revolution would depend. This, too, meant more machinery. And finally, there was the defence argument: in order to survive, the Soviet State needed to be well armed.

The case for giving preferential treatment to the heavy industries in the early Soviet Five-year Plans was thus very strong. But it would seem that the specifically economic arguments for this policy apply only to a situation in which it is desired to raise the rate of growth. Once producer-goods capacity is sufficient to supply the replacement needs of the consumer-goods industries and the normal additional needs imposed by the prescribed rate of growth, there is nothing to stop the two departments of the economy from expanding in step with one another at a constant rate, given constancy of capital/output ratios, which is always assumed by Soviet economists in their theoretical writings. What the rate is will, of course, depend on the ratio between the stocks of capital (" basic funds " in Soviet terminology) in the two sectors. In order to raise the rate of growth from zero to a given level (the case discussed by Marx and, more recently, by Academician Strumilin),[20] it is necessary to increase the stock of capital in the producer-goods industries relatively to the stock of capital in the consumer goods industries in a calculable proportion. When this adjustment (which may, of course, take several years) has been made, the system is in a new (moving) equilibrium, which can be maintained (assuming a constant rate of increase of population) until such time, if ever, as a further rise in the rate of growth is required.

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[19] Thus, the data used by Academician Strumilin to illustrate Marx's schema of simple reproduction appear to relate to the year 1925 (as the author puts it, " the end of the reconstruction period "), (Strumilin, op. cit., p. 29).

[20] S. Strumilin, op. cit., pages 29-31. The author discusses a situation where the ratio of the stock of capital in Department I to the stock in Department II is such that it is necessary, if a rate of increase of 10 per cent per annum in the output of consumer goods is to be achieved, for the output of producer goods to be raised by 17.8 per cent per annum for some years. As has been pointed out by several commentators (notably Maurice Dobb in *Soviet Studies*, Vol. VII, No. 1, pp. 52-58), the divergence between the two rates of growth implied by the example is in fact even greater than the author suggests.

Table 95

Annual rates of growth of output of the producer- and consumer-goods industries in the Soviet Union

Year	Gross output of producer goods	Gross output of consumer goods
At " 1926/27 " prices [a]		
Large-scale industry [b]		
1929	31	22
1930	42	21
1931	29	17
1932	17	10
1933	10	6
1934	25	15
1935	25	20
1936	32	27
All industry		
1937	10	13
1938	13	10
1939	18	14
1940	14	7
....		
1947	22	22
1948	29	21
1949	25	8
1950	26	15
At 1952 prices		
1951	16	16
1952	11	11
1953	12	12
1954	13	13
1955	16	9
At 1955 prices		
1956 Plan	11.0	9.6

Sources: *Sotsialisticheskoe Stroitelstvo S.S.S.R.*, 1936, p. 2; *Problemy Ekonomiki* No. 1, 1937, pages 160-2 and No. 4, 1940, page 105; D. A. Allakhverdyan, *Natsionalny dokhod S.S.S.R.*, 1952, page 55; *Planovoe Khozyaistvo*, No. 1, 1937, pages 5 and 209; *Itogi Vypolnenia Vtorogo Plana*, 1939, p. 76; N. Voznesensky, *Economic Results of 1940*, 1941; *Pravda*, 6 October 1952, 27 December 1955 and 15 January 1956; and annual plan fulfilment reports.

[a] Until 1951, gross output was valued for the purpose of measuring growth at the so-called 1926/27 prices. These were in fact a mixture of the prices actually ruling in 1926/27, for goods which had already been produced in that year, and the prices, reflecting higher levels of costs, of goods whose production had been started since then. As new products were more numerous in the producer-goods sector, the output (and rate of increase of output) of producer goods tended to be relatively over-stated. From 1951 to 1955 index numbers of the volume of gross output were weighted by the prices actually ruling in 1952, which more accurately reflected current relative costs. It is thus probable that the change from 1950 to 1951 in the ratio of the rates of growth of producer goods to that of consumer goods was less sharp than the official figures reproduced above suggest.

[b] Plants employing 16 or more workers with mechanical power, or 30 or more workers without power.

In 1936, when the Third Five-year Plan was drawn up, the official view seems to have been that the system was already in such a state of moving equilibrium and that there could even be, for the first time, a preference to the industries producing consumer goods without danger to future potentialities of growth. The output plans for both 1936 and 1937 thus called for a higher rate of expansion in the output of consumer goods than of producer goods. And, as Table 95 shows, this actually occurred in 1937. By 1938 the urgent need to expand defence potential had brought a change in plans and from then until 1944 rates of increase were consistently higher in the producer-goods sector.

In the closing stages of the war the output of producer goods fell at first, as munitions orders were cut back, while the output of consumer goods increased fast. But by 1948 the need to raise the over-all rate of growth had already brought a renewed preference to heavy industry, which continued until the end of the Fourth Five-year Plan (1950).

The Fifth Plan, published in mid-1952, reduced the degree of preference, but still called for a faster increase of output for the producer-goods sector than for the consumer-goods sector (13 per cent per annum, as compared with 11 per cent). In practice, however, it seemed to be tacitly accepted that, as in 1936, the economy was once again in a state of moving equilibrium with a balanced capital stock, and during the first four years of the Fifth Plan—1951 to 1954—the rates of growth of both sectors of industry (shown in Table 95[21]) were approximately equal.[22] This policy was ratified by the Council of Ministers in 1953, and explained by reference to the Law of Planned Development.[23]

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[21] Any conclusions drawn from the table regarding changes in the rates of growth should be heavily qualified because of the statistical deficiencies for earlier years noted in footnote a to the table.

[22] The rates of growth shown in Table 95 are exactly equal only because they have been rounded: the published figures in fact show cumulative increases, from 1950 to 1954, of 65 per cent for producer goods and 62 per cent for consumer goods.

[23] " The policy of accelerated development of agriculture and the light and food industries is a further logical development of socialist industrialization, fully corresponding to the requirements of the Fundamental Economic Law of Socialism and the Law of Planned, Proportionate Development of the whole of the socialist economy." (Marshal Voroshilov, Chairman of the Presidium of the Supreme Soviet, *Izvestia*, 7 November 1953.)

In 1953, however, a lively controversy broke out among Soviet economists, who showed themselves to be sharply divided on the question whether this state of affairs should continue or whether a renewed preference needed to be given to the producer-goods industries. Some [24] of those who wanted the rate of growth of the consumer-goods sector to be at least as great as that of the producer-goods sector seemed to be arguing that there would be no harm, and even positive good, in aiming, for the time being, at a somewhat lower sustained rate of over-all growth. Others [25] contended that the ratio of the stock of capital in the producer-goods industries to the stock in the consumer-goods industries was by now such as to permit the present over-all rate of growth to be sustained without any continued preference to heavy industry: in other words, that the composition of the stock of capital was already adjusted to the desired rate of growth. The one point of view involved a value-judgement, the other a judgement of fact.[26]

Finally, the Government gave its approval to the heavy industry school, and the Law of Planned, Proportionate Development is now currently interpreted as implying a continued preference to heavy industry. Academician Ostrovityanov, Vice-President of the Academy of Sciences of the USSR, has described this line of thought as follows: " The proportions in the development of a socialist economy are based on the Law of the Planned, Proportionate Development of the economy in conformity with the requirements of the Fundamental Law of Socialism. The most important proportion in economic development policy is the proportion between the two departments of social production—between the output of means of production and the output of consumer goods. The correct relationship between these departments is that which ensures the preferential growth of means of production and the development on the basis thereof of agriculture, the light and food industries, to the extent necessary to satisfy the expanding needs of society." [27] The emphasis laid on the need to increase the defence potential and to raise the degree of capital-intensity in agriculture suggests that this ruling should be interpreted as reflecting mainly a value-judgement; as being, in fact, motivated by a desire to make the transition to a new position of moving equilibrium.

The industrial distribution of investment in eastern Europe

The foregoing discussion of differential rates of growth of the sectors of an economy appeared to lead to the conclusion that a higher rate of growth for heavy industry is always warranted if it is desired to lever upwards the over-all rate of growth of an economy. This is, strictly speaking, however, true only of a closed economy. Once the possibility of international trade is admitted, Marx's schema of expanded reproduction ceases to reflect the facts sufficiently closely.

The Soviet Union has never been a closed economy. But the country is so big and diversified, and the share of imports and exports in national product is so small, that the degree of error introduced by treating it as a closed economy is negligible. It is therefore quite natural that Soviet economists should have neglected the implications of differences in a country's natural endowments for the direction of investment.

The situation is quite different in the much smaller countries of eastern Europe, but until recently there was a tendency to overlook this fact. During the long-term plans of the early 'fifties, each government applied in its economic policy precepts which would have been applicable to eastern Europe as a whole, but which in retrospect are not judged to have been relevant to the problem of raising the over-all rate of growth in its own economy. The policies which had been successful in bringing about a rapid rate of growth in the Soviet Union were, in fact, as is now recognized, applied too mechanically to smaller and less diversified economies.[28]

In spite of the fact that, formally, the Law of Planned Development is interpreted in the same way in eastern Europe as it is in the Soviet Union, there seems little doubt that in practice there is not now the same insistence that it shall be applied without regard to the particular circumstances of each country. It is interesting, too, that even in the Soviet Union the assumption of a closed economy, implicitly made in all earlier discussions of the rates of growth of the two sectors of the economy, has now been relaxed, and the need to have an export surplus of machinery in order to supply the Soviet Union's trading partners is now cited as a supplementary justification for the continued preference to be given to heavy industry.[29]

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[24] P. Mstislavsky, *Novy Mir*, No. 11, 1953, and E. Kazimovsky, reported in *Voprosy Ekonomiki*, No. 1, 1955, p. 20 and *Pravda*, 24 January 1955, pp. 2-3.

[25] D. Kuznetsov, *Voprosy Filosofii* and I. Vekua, *Voprosy Ekonomiki*, No. 9, 1954.

[26] It is, however, not clear that all those taking part in the discussion had at their disposal the capital/output ratios for different sectors of the economy which would be needed to judge the purely factual question. Thus, Academician Strumilin, in the course of an article in which he argues strongly for a continued preference to heavy industry writes (op. cit., p. 38) regretfully: " Not disposing of actual data for recent years, I could not reflect in the figures I put in the balances the concrete relationships and proportions of the national economy at the present day." He also criticises the Central Statistical Administration for not having gone beyond the simple two-sector division of the process of production used by Marx.

[27] K. V. Ostrovityanov, " Against a Vulgarized Concept of the Fundamental Economic Law of Socialism ", *Pravda*, 27 March 1955.

[28] See " The Economy of Hungary, 1950-1954 ", *Economic Bulletin for Europe*, Vol. 7, No. 2, p. 93.

3. The choice between different variants of the same investment project

The necessary lack of a unified theory

In what has been said so far the purely technical nature of the most important investment decisions has been stressed—the fact that both the total of investment and its broad allocation between producer-goods industries and consumer-goods industries are determined by the rate of growth which it is desired to achieve and maintain and the existing composition of the stock of fixed capital. But this still leaves open a very wide field of choice between the various possible ways of providing the capacity needed to realize the desired rate of growth. Even if it can be calculated that capacity to provide increased supplies of energy will be needed of such and such an amount, it still has to be decided how much reliance shall be placed on oil, coal, water-power and atomic energy, where the capacity shall be located, and what degree of capital-intensity shall be chosen. It is natural to look for some calculus which can facilitate the comparison of projects of varying degree of capital-intensity and thus reduce the burden of decision resting on the central planners—something analogous, in fact, to the rate of interest as it is assumed to operate in private enterprise economies.

The difficulty of finding such a calculus is extremely great. Western theorists have been able to present a unified theory of investment choice only by making a number of simplifying assumptions which do considerable violence to the facts in their own countries, but which are wholly inapplicable to conditions in the planned economies discussed in this chapter. Thus, they assume, for purposes of theoretical analysis, that the business world consists of a very large number of enterprises competing freely with each other and each of them too small to influence the market significantly by its own operations. Second, they assume that every investment decision is independent of every other—in the sense not only that each entrepreneur does not know what his competitor is planning, but that he does not know what his supplier is planning, and, finally, that he does not know what he himself is planning to do in a year's time. Third, they assume that an entrepreneur need pay only limited regard to questions of public policy—that the cases in which a project will be vetoed, or another one facilitated, by the government are exceptional rather than the rule. It is thus possible to present an elegant theory in which entrepreneurs limit their vision to their own expected returns from a projected investment and to its cost to them (including expected net payments of interest each year on the unamortized part of the investment), both returns and costs being discounted to the present at a rate reflecting both the expected " pure " rate of interest on a riskless placement of funds and the degree of risk which those with finance to spare attach to the project.

This simplified theory applies at best, however, to only one class of investment decisions in present-day capitalist countries. In under-developed countries it is often the state which is the prime mover in setting development going. In western Europe the state is now regarded as having a rather direct responsibility for investment in housing and public utilities and it is explicitly assumed that only the state can take a long enough view of the future needs of the economy for, e.g., atomic energy. The investment programme of the steel industry is usually decided after consultation with governments. In all such cases decisions are heavily influenced by considerations of public policy and are not made merely, or even at all, with a view to the expected direct return in money terms. In addition to its own investment activities, the state intervenes in many other ways to set the social and economic framework within which private enterprise operates and to influence its costs and returns. There remains a fairly large class of investment decisions which are left to individual entrepreneurs, of which the pure theory outlined above gives an only somewhat idealized account.

The assumptions underlying the theory are, however, not even useful approximations to the facts in the Soviet Union and eastern Europe. Hardly any investment decisions there are taken as discrete acts of choice obtained by a weighing of returns and costs, each calculated on essentially static assumptions; all are acts of choice influenced by and influencing other investment decisions in both the present and the future.[30] Moreover, the considerations which have to be weighed in the balance are more multifarious and less capable of reduction to a common denominator than those facing a capitalist entrepreneur. These considerations include not only those which, in western economies, interest the individual business man but also those of concern to governments.

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[29] See K. Shafiev, " Socialist Reproduction in the USSR ", *Voprosy Ekonomiki*, No. 3, 1955, p. 89: " It must not be forgotten that the countries of people's democracy who are building socialism rely upon the full support and disinterested assistance of the Soviet Union and depend upon the high level of Soviet heavy industry, which at the present time is a powerful basis of socialist industrialization in the countries of people's democracy."

Considerable importance, for example, is attached to the elimination of differences in the degree of development of particular regions. It will therefore often be considered preferable to locate a plant in a region where both investment costs and operating costs may, for the time being, be significantly above costs elsewhere. The theory (similar to that on which the infant industry argument is based) is that in the end, as the region is developed, external economies will reduce social costs there to the average. But exact calculations clearly could not be applied to all the factors involved in such a choice.[31]

It would therefore be somewhat beside the point to expect the Soviet (and eastern European) planners to develop a unified theory of investment choice. It is impossible to envisage a calculus which would reduce the varied considerations relevant to their investment decisions to the simplified model appropriate to conditions in which a large part of investment decisions are taken by individual entrepreneurs weighing private gain against private cost.

The criteria adopted in marginal cases

There is, however, a class of instances of investment choice at what may perhaps be called the micro-economic level, where an exact calculus is in principle possible and is in fact attempted by the project-makers in the various ministries. These cover the cases where the same productive capacity can be provided by more than one method.[32]

In such cases the practice of the project-makers is not very different from that of a capitalist entrepreneur. They may, for example, set themselves as norm a certain ratio of gross output from a projected plant over its whole life to the sum of the investment cost and expected operating costs (excluding depreciation) and choose only projects yielding this norm, that is, yielding a pre-determined rate of profit on the capital.[33]

Alternatively, the project-makers, faced with the necessity of choosing between a more and a less capital-intensive method of production, may decide to choose the more capital-intensive variant if the extra investment cost [34] will be recouped by savings in operating costs [35] in less than a fixed term of years,[36] the length of period chosen usually being—as often in similar circumstances in capitalist systems—less than the expected total life of the asset.[37]

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[30] For a discussion of this see in particular A. I. Notkin, *Voprosy opredelenia ekonomicheskoi effektivnosti kapitalnykh vlozhenii v promyshlennosti SSSR* (Questions of Defining the Economic Effectiveness of Capital Investment in the Industry of the USSR), 1953; and an editorial article in *Voprosy Ekonomiki*, No. 3, 1954, which summarizes much of the previous writing on the subject in the Soviet Union.

[31] Regional development policies are, in varying degrees, carried out by the governments of other countries also, though ordinarily the government's intervention is confined to measures designed to create external economies, or to compensate for their lack, so as to attract private enterprise. See " Problems of Regional Development and Industrial Location in Europe ", SURVEY for 1954, pp. 136-171.

[32] This can be and is extended to inter-industry choice where the end-product is the same. See, e.g., the computations of the cost of investment in coal, shale, peat and gas per unit of energy produced, which are shown in *Planovoe Khozyaistvo*, No. 5, 1955, p. 59.

[33] See Bronislaw Minc, " Some Investigations Conducted by the Political Economy Institute of the Polish Academy of Sciences on the Economic Effectiveness of Investments ", *Ekonomista*, No. 4, 1955. Write P for expected gross value of output of the plant, C for costs of materials and labour needed to operate the plant, I for the original cost of the plant, D ($= I/n$, where n is the expected life of the plant) for the annual depreciation charges, and S for the annual surplus ($= P - C - D$). Then the investment will be chosen if

$$\frac{nP}{I + nC} \geqq E$$

where E is some normal rate of return. It will be seen that this inequality can be rewritten, in terms of the rate of profit, as follows:

$$\frac{S}{C + D} \geqq E - 1$$

[34] Original cost of the more expensive equipment *minus* the original cost of the less expensive equipment.

[35] Write I_1 and I_2 for the original cost of the new equipment in the two cases ($I_1 > I_2$), and C_1 and C_2 for the corresponding annual expected operating costs (excluding depreciation) of the equipment ($C_1 < C_2$). Then variant 1 will be chosen if $(I_1 - I_2)/(C_2 - C_1) < n$ where n is a fixed term of years. In theory a capitalist entrepreneur applying the same rule of thumb would choose variant 1 only if

$$(I_1 - I_2)/(C_2 - C_1) \leqq \frac{1}{r}\left(1 - \frac{1}{(1+r)^{n}}\right)$$

where r is the rate at which he discounts the future. This expression is less than N but the difference is not great for small values of N with low rates of interest.

[36] An article in *Pravda*, 16 September 1955, complained that in an attempt to reduce investment outlays some project-making organizations were ignoring this and choosing old-fashioned techniques because they needed less capital.

[37] This procedure, recommended by T. S. Khachaturov, was opposed in the editorial in *Voprosy Ekonomiki*, No. 3, 1954.

In both instances the criteria adopted are essentially similar to those adopted by capitalist entrepreneurs operating with a rate of interest over which they have no control, and in this sense it is scarcely correct to suppose that no use is made in the Soviet Union and eastern Europe of interest formulae in reaching investment decisions.

This has been recognized by a number of western economists who have written on Soviet investment criteria. It has, however, sometimes been argued that, even though rates of return are compared in choosing between investment projects, the full logic of interest rates is not followed out, in the sense that interest on capital is not treated as a part of the cost of goods produced with the aid of this capital. This is formally correct and, in fact, Marxist theory specifically rejects the concept of a " payment for capital " in a socialist economy. But it is of course obvious that costs in individual enterprises will vary from the average costs for the whole industry—which determine wholesale prices—and an enterprise with expensive modern equipment is expected to earn a quasi-rent on its capital in the form of a higher surplus over its operating costs (including depreciation) than an enterprise less well equipped, and to pay a bigger dividend to the state.

It is quite true that project-makers do not discount future costs and returns to the present, and in this sense it is likely that they will tend to choose more capital-intensive processes than would a capitalist entrepreneur with the same expectations of future costs and returns, but only on the assumption that both use the same norms of return or period of recoupment.

It is also true that the norms used are arbitrarily chosen and vary from industry to industry. A number of Soviet economists, dissatisfied with this situation, have suggested various universal criteria which could be adopted in all branches of the economy.[38] So far none of the suggestions has met with general satisfaction. And indeed it is difficult to see how such an all-purpose criterion corresponding to a single rate of interest could be adopted without a major change in the price system. As long as the broad lines of investment policy are decided on without reference to relative prices and the prices of producer goods are related to costs rather than to demand, it is indeed essential that the norms adopted should vary from branch to branch. There are similar variations in capitalist systems. But in general these are related to differences in the cost of raising investment funds for different purposes, which do not arise in the Soviet Union or eastern Europe because virtually all funds for financing fixed investment are provided free once the project is approved.

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[38] See in particular S. Strumilin, " The Time Factor in Capital Investment Projects ", *Izvestia Akademia Nauk SSSR, Otdel Ekonomiki i Prava*, No. 3, 1946, reprinted in an English translation in *International Economic Papers*, No. 1, 1951.

4. THE FINANCE OF INVESTMENT

The main principle

Purely financial obstacles to particular investment projects do not arise in the Soviet Union and eastern Europe, for three reasons. In the first place, there is no danger that materials will be diverted from government investment projects by competing demands. Second, foreign trade is a government monopoly: a rise in internal prices will thus have no automatic effect on the balance of international payments, nor need price fluctuations abroad affect domestic prices. Third, internal trade in consumer goods, though not completely monopolized by the state, is very tightly controlled: almost all manufactured goods are produced within the state sector and a large part of agricultural output, though predominantly produced outside the state sector, has to be delivered to the state at prices very considerably below those that would rule in a free market.

It follows that, if retail prices are fixed at a level that will clear the market for consumer goods and services [39] as a whole, the whole of the state's outlays on investment goods, defence and communal services [40] will come back to it in the form of profits on consumer goods and services.[41] The state's expenditure is thus self-liquidating: expenditure determines revenue and not, as in Gladstonian finance, revenue expenditure.[42]

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[39] Apart from that part of payments to individuals which returns as direct taxes or net purchase of state bonds.

[40] In the Soviet Union rather more than three-quarters of personal income is spent on goods. The remainder is used for services, transport, taxes, local rates, membership fees, saving, etc., (V. Moskvin, *Planovoe Khozvaistvo*, No. 1, 1955, p. 82).

[41] A model as well as a description of this circulation is given by V. M. Batyrev, *Organizatsia i planirovanie denezhnogo obrashchenia v SSSR*, 1952, pp. 66-67.

[42] This can be put in terms of Marx's scheme of expanded reproduction, where it is demonstrated that the funds for net investment come ultimately from the surplus value (or in a socialist state the social product) generated by the workers in Department II of the economy. Or it can be described in terms of Keynes's parable of the widow's cruse.

All this is on the assumption that retail prices are correctly fixed at a level, that is, which will yield a surplus, over and above the cost of the labour embodied in them, sufficient to cover the cost of the labour embodied in the final goods and services bought by the state. If they are set too low (or the average prices paid to collective farmers [43] are kept too high) there will be some leakage of state expenditure into the pockets of consumers, and this involuntary hoarding of cash will be accompanied by queues for consumer goods in general.[44] But this cannot set up a cumulative inflationary process (because of the state's close control of investment and output plans) and one year's pool of excess purchasing power can easily be mopped up the next year by appropriate adjustments of prices. Only if the price system has been allowed to get out of hand for several years will it be necessary to proceed to the drastic remedy of a monetary reform involving the cancellation of the excess.[45]

The fact that the Soviet budget has usually shown a small surplus [46] of revenues and non-inflationary borrowing [47] over expenditure does not mean that the Soviet expansion has been achieved without inflationary pressure: in the sense that production has normally been pushing against capacity, pressure has always been there. It means rather that the Soviet authorities have on the whole kept the price level of consumer goods very slightly above the level that would have cleared the market.[48]

The primary task of the financial planners is thus to ensure that the equation value of consumer goods on offer *equals* total personal incomes after allowance for a small amount of personal saving, is approximately satisfied. If this were their only task they would not need to concern themselves at all with the prices at which producer goods change hands within the state sector. These could be fixed at quite arbitrary levels or even left to find their own levels, as long as the state took over all profits and guaranteed all losses. Nor would there be need for tight control over wage rates, provided the planners were prepared to make frequent adjustments of retail prices. The fundamental equation would still hold, even though not perhaps over very short periods and only at a rapid shifting absolute price-level.

Pricing policy in the Soviet Union

During the years of the first two Soviet five-year plans this was more or less what happened. Investment plans (and indeed all output plans) were drawn up in terms of physical quantities aggregated by the use of a purely conventional set of price-weights. The prices at which producer goods were transferred within the state sector bore no necessary relation to these conventional prices, to actual costs or to degrees of scarcity, but were mere accounting prices differing from transaction to transaction. Meanwhile, wages were allowed to float upwards and retail prices were pushed up to great heights. The lack of any rational basis for producer-goods prices was justified by reference to Marx's definition of a " commodity " as something that is bought and sold: producer goods, which were in the main merely transferred from one state enterprise to another in conformity with the plan and not in any real sense bought and sold, were not " commodities " whose prices were determined by market forces, and were not, as it is put, " subject to the law of value ".

The system was put in better order in 1936. The conventional plan prices were little altered, and the difficulties in the way of satisfactory fulfilment of " assortment " or product-mix plans to which they had given rise remained, but transaction prices were brought into closer relation with costs and subsidies were to be abolished. The expansion of defence industry on the eve of the war (from 1938 onwards), however, compelled a new break with a system of prices reflecting costs, and subsidies remained a central part of the price structure until 1949. The price reforms of that year initiated the liquidation of subsidies by bringing prices of basic materials and capital goods up to the level of costs. Since then, there have been several major changes of wholesale prices, the last in 1955.

The first principle of current pricing policy in the Soviet Union is that there is a single retail price for each consumer good, wherever it is sold,[49] and a single ex-factory wholesale price for each manufacture or mineral irrespective of where it is produced.[50] Only in the case of farm produce, part of which is sold at relatively low prices (for obligatory deliveries to state procurement agencies), part at higher prices (for contractual deliveries) and part at free market prices, is multiple pricing practised. Retail prices are fixed at a level which it is intended shall clear the market for consumer goods as a whole. Individual retail prices are intended broadly to reflect (in a rough and ready way) supply conditions, given consumer preferences; in some instances, of course, the Government fixes prices so as to discourage consumption of a particular commodity (as in the case of vodka) or to encourage it (as in the case of children's shoes or television sets).

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[43] Sales by peasants to individuals are from this point of view transfers and do not affect the eventual circulation. (Cf. Moskvin, op. cit.)

[44] There may be queues in any case, if the relative prices of particular commodities do not accurately reflect consumer preferences, if there are too few shops or shop assistants or if there is maldistribution of supplies, so that shortages in some places co-exist with unsold stocks of the same commodities in others. (Cf. *Pravda*, 7 April 1955.)

[45] Such reforms took place in the Soviet Union and eastern Europe soon after the war, and were repeated in most eastern European countries in the years 1950 to 1953.

[46] Eastern European budgets have shown surpluses since 1948, with the exception of Albania which ran a deficit in 1952.

[47] Figures of government borrowing from the public during the years 1951 to 1955 are given in Table XXV.

[48] It may be asked how it is possible for there to be a budget surplus, however small, every year, without cumulative dis-saving by consumers on an improbable scale. The answer would seem to be that state enterprises are permitted to finance only a part of the normal increase in their stocks and work in progress out of their retained profits. To the extent that they are rendered illiquid and dependent on the banks for short-term credit the central government is correspondingly liquid.

The difference between the government trading organization's selling price and the producing enterprise's ex-factory price, *plus* transport, is made up of two parts—a pure surplus known as turnover tax, of fixed amount for each commodity, the whole of which is paid into the state budget, and a trading margin intended to cover the costs of distribution (wages and the depreciation of warehouses and shop premises) as well as to provide a small margin of profit to the trading organization.

In general, wholesale prices are fixed at a level sufficient to yield the enterprise with average costs [51] a margin of profit equal to about 4 to 5 per cent of its total costs (wages, materials, and provision for depreciation and capital repairs) in the case of consumer goods and somewhat less in the case of most producer goods.[52] In cases where relative scarcities differ from relative costs, the profit margin may be adjusted so as to encourage or discourage the use of the materials in question. Finally, in the extractive industries, an intra-industry scheme of levies and bounties is operated in order to avoid the danger of

TABLE 96

Planned distribution of profits of Soviet state enterprises by branch and class of expenditure

Billons of roubles

	Transferred to budget		Increases in circulating funds		Fixed investment		Other		Total profit	
	1954	*1955*	*1954*	*1955*	*1954*	*1955*	*1954*	*1955*	*1954*	*1955*
Heavy industry [a]	24.3	37.2	5.2	3.6	6.3	8.9	3.9	3.8	39.7	53.4
Light and food industry [b]	26.1	29.5	2.7	2.1	2.6	1.3	2.2	2.3	33.6	35.3
All industry	50.4	66.7	7.9	5.7	8.9	10.2	6.1	6.1	73.3	88.7
Agriculture and procurement [c] . . .	4.0	4.8	0.3	0.3	0.3	0.9	2.2	2.2	6.8	8.3
Trade	5.4	9.3	2.1	1.1	1.0	0.2	0.2	0.2	8.7	10.9
Transport and communications . . .	17.6	22.4	0.3	0.2	1.7	1.6	0.9	0.9	20.5	25.2
Other	12.4	9.1	0.2	0.2	0.6	0.5	0.9	0.5	14.1	10.3
	89.8	112.3	10.8	7.5	12.5	11.9 [d]	10.3	11.6 [e]	123.4	143.3

Source : Planovoe Khozyaistvo, No. 3, 1954, page 21, and No. 2, 1955, pages 38 and 42.

[a] Including shops in "heavy" industrial enterprises producing consumer goods (e.g., bicycles in engineering factories).

[b] Including shops in "light" industrial enterprises producing producer goods (e.g., tyre fabric in cotton mills).

[c] State farms and procurement agencies only.

[d] The total is less than the sum of the components, which include 1.6 for capital repairs.

[e] The total includes 1.6 for capital repairs which cannot be allocated among the individual components.

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[49] There remain zonal differences, but for most goods there are only two or three zones.

[50] This principle is not yet in full operation. The prices of goods produced by local and co-operative industry are fixed ad hoc; pit-head prices of minerals, notably coal, sometimes vary by more than quality variations (e.g., in calorific content); finally, machinery prices sometimes still vary with the place of origin (e.g., in 1955 the price of a harvester-stacker made at a Kusnetsk factory was quoted as 5,650 roubles, double the price of an identical machine made at a Rostov plant).

[51] In computing the "average" the ministry is frequently permitted to omit small, high-cost plants.

[52] The margin is 3 to 4 per cent of costs for enterprises manufacturing producer goods and 2 to 3 per cent for enterprises engaged in the primary processing of raw materials (minerals and agricultural produce). Most minerals, however, are priced well above the average costs of extraction, in order to cover indirect costs (e.g., geological surveying) and a conservation charge.

rewarding or penalizing individual enterprises for cost variations outside their control.

The position is thus maintained that producer goods are not "subject to the law of value" (a doctrine formally restated by Stalin in his last published work), as the demand for them is laid down in the plan rather than fixed by market forces, but it is now accepted that decisions will be more rationally based, enterprises more efficiently run and sanctions easier to apply if the law of value is permitted to do some of the physical planners' detailed work for them.

Immediate sources of investment funds

As a result of the rationalization of the price system, far more Soviet enterprises have been paying their way in recent years than ever before and, as Table 96 shows, both the total of profits [58] and the amount of profit paid into the state budget have been increasing fast. The profit contribution to the budget, which in 1947 was equal to only one-tenth of the yield of turnover tax, was in 1955 about half as big as turnover tax receipts.

TABLE 97

Surplus of state enterprises in the Soviet Union

Billions of roubles

Year		Profits	Transfers of profits to budget [a]			Turnover tax receipts
			Out of current profits	Excess working capital [b]	Total	
1946	Actual . .	22.1	..	..	16.5	190.9
1947	Actual . .	24.1	..	..	22.6	239.7
1948	Plan . . .	34.8	22.0	1.9	23.9	280.5
	Actual . .	39.3	..	..	27.2	247.3
1949	Plan . . .	69.6	32.2	1.8	34.0	262.2
	Actual . .	69.6	..	..	42.2	255.5
1950	Plan . . .	70.7	..	..	40.0	239.1
	Actual . .	65.5	35.4	5.0	40.4 [c]	236.1
1951	Plan . . .	76.8	..	..	47.2	244.7
	Actual . .	74.7	44.3	3.5	47.8	247.8
1952	Plan . . .	88.1	59.6	2.4	62.0	260.7
	Actual . .	81.0	..	..	58.4	246.9
1953	Plan . . .	111.5	..	..	80.6	240.6
	Actual . .	89.8	67.3	3.0	70.3	243.6
1954	Plan . . .	123.4	89.8	3.0	92.8	234.4
	Actual . .	..	..	..	83.4	224.3
1955	Plan . . .	143.3	112.3	5.3	117.6	233.8
	Actual . .	123.7	..	..	..	..
1956	Plan . . .	139.5	..	..	107.4	271.2

Sources: See Appendix C.

[a] Year-to-year comparisons may be affected by administrative changes: amalgamation (or sub-division) of ministries may decrease (or increase) the amount transferred through the budget.

[b] Surplus of previous year's working capital outstanding on 1 January over allocations for the current year.

[c] Of which 24.6 came from enterprises under All-Union administration, 9.3 from enterprises under Republican administration and 6.4 from enterprises under local administration.

It must be emphasized that this implies no change in the ultimate source of the surplus used for financing investment and government current expenditure. In so far as the extra profits enter into the wholesale value of consumer goods and services they merely reduce the amount of turnover tax that has to be raised to finance a given volume of government purchases. In so far as they enter the wholesale value of final goods bought by the state they merely inflate both sides of the budget equally.

Nor has the growth of profits apparently brought any significant change in the proportion of investment which is financed out of enterprises' own resources. As the table below shows, the proportion of the expanded total of profits which is paid into the budget has actually increased over the last few years, and in the case of light industry, trade and transport is now very high.

Planned government dividend in profits of state enterprises in the Soviet Union

Percentages of current profits transferred

	1952	*1954*	*1955*
Industry:			
Heavy	..	61.2	69.5
Light	..	77.8	83.7
Total	61.3	68.8	75.2
Agriculture	33.8	58.0 [a]	57.6 [a]
Trade	..	62.1	85.8
Transport and communications	63.8	85.8	88.9
Other.	..	87.9	88.3
TOTAL	67.7	72.8	78.4

Sources: Planovoe Khozyaistvo, No. 2, 1952, p. 20; No. 3, 1954, p. 21; No. 2, 1955, p. 42.

[a] Including agricultural procurement agencies.

Only in heavy industry is the absolute amount available for self-finance large (see Table 97), and even in this instance the proportion of fixed capital formation financed by ploughed-back profits (about 10 per cent in 1955) is not much greater than the proportion in the state sector as a whole (8 per cent in 1955). The great bulk of the funds for fixed capital formation in the state sector still come, as Table 98 shows, from budget grants (72 per cent) and from depreciation allowances, which are in no sense the property of the individual enterprise of whose costs

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[58] The gross amount before deduction of the losses of other enterprises.

TABLE 98

Gross investment and its finance in the Soviet Union in 1955

Plan figures

Billions of roubles at current prices [a]

Gross fixed capital formation:			Provision by autonomous state enterprises [e] for depreciation of fixed capital		22
State enterprises and government departments [b]	145		Retained profits:		
Collective farms	18		State enterprises:		
Industrial co-operatives	2		Fixed capital formation	12	
Retail co-operatives	2		Increases in stocks and work in progress	7	
Private housing: urban	4		Collective farms	13	
rural	5	174 [c]	Industrial and retail co-operatives	3	35
			Short-term credits to state enterprises		5
			Loans by investment banks to:		
			Building enterprises and local authorities [f]	4	
			Collective farms and farmers	5	
Estimated value of increase in stocks and work in progress [d]		17	Industrial and retail co-operatives	1	10
			Mortgage loans on private houses		2
			Personal saving:		
			Invested in houses	7	
			Net increase in savings bank deposits [g]	10	
			Personal subscriptions to state loans *less* redemptions	18	35
			Funds provided out of surplus of state enterprises and taxation:		
			Budget grants to state enterprises:		
			Fixed capital formation	105	
			Increases in stocks and work in progress	5	
			less Government borrowing from the public	—28	82
Gross investment		191			191

Sources: See Appendix C.

[a] 1954 prices, with an allowance for expected cost reductions in 1955.

[b] Including increases in stocks and work in progress of building enterprises and investment by local authorities (both financed by the investment banks).

[c] The total is slightly less than the sum of its components because of some duplication due to sales of second-hand machinery by the State to collective farms and industrial co-operatives.

[d] State enterprises only.

[e] Excluding machine and tractor stations and other non-autonomous organizations, which made no provision for depreciation.

[f] The banks concerned finance these loans out of budget grants.

[g] Including deposits by organizations.

they form a part.[54] Moreover, though during the past five years, as the stock of capital has increased, depreciation allowances have grown proportionately faster than budget grants, the share of state fixed investment

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[54] The normal working life of each type of asset is fixed by the planning commission. So is the amount which should normally be spent on capital repairs (replacements of major spare parts) over the whole working life of each type of asset. In most cases this amount, in the Soviet Union, is about equal to the original cost of the asset. Every ten days each autonomous state enterprise pays an instalment of an annual charge calculated by dividing the sum of the original cost (*less* any expected scrap value) of each of its assets and the total expected capital repairs, by its working life. The depreciation component is paid into the State Bank and can be used by the Ministry of Finance as it wishes. The capital repair component (excluded from both sides of Table 98) is paid into the appropriate investment bank and in principle remains the property of the enterprise. Even this, however, may in some cases be transferred by the administration under whose control the enterprise comes to another enterprise with more urgent needs.

TABLE 99

Soviet Union : Finance of state gross fixed capital formation

Plan figures

Billions of roubles at current prices [a]

	1951	1952	1953	1954	1955	1956
Budget grants	98.0	98.1	106.7	116.3	109.3	118.4
Retained profits of state enterprises	15.4 *	12.0 *	13.1 *	12.5	11.9	15.3
Financial provision for depreciation	14.6 *	15.6 *	16.3 *	18.1	21.8	23.1
Sale of machinery to co-operatives	—	—	—	—	2.3	1.1
Gross fixed capital formation by the State	128.0	125.7 *	136.1 *	146.9	145.3	157.9

Sources : See Appendix C.

[a] The prices ruling when the plans were prepared, after allowance for the planned reductions in prices and costs

financed through the budget has not significantly fallen. (See Table 99.)

Finally, it should be remembered that even the profits which an enterprise (or rather, the administration under whose control it comes) is permitted to retain for re-investment may be spent only if such capital expenditure has been approved and entered in the plan for the year.

Growing importance of financial controls

Now that a more rational system of prices has been evolved and costing systems standardized, it is possible for the authorities of the Soviet Union to exert a rather nuanced financial control over enterprises through a subtle combination of stimuli and sanctions. Workers have long been encouraged to increase production by the offer of highly progressive bonuses for output in excess of their norm. Directors are now penalized if they fail to fulfil the profits plan, in that their costs are raised by the need to finance a larger proportion of their stocks and work in progress by bank loans on which interest is payable. And they are encouraged to maximize profits by the guarantee that a part of the profits,[55] increasing sharply if the profits plan is over-fulfilled, will be allocated to the so-called Enterprise's Fund,[56] of which half may be spent on investment in and around the plant and half on welfare and premia for the staff.[57]

Schedule of allocations to the Enterprise's Fund in the Soviet Union

	Percentage of planned profits	*Percentage of profits earned in excess of the plan*
Mining, oil, metallurgy, etc. .	5	45
Engineering, electricity, textiles, paper, etc.	2	30
Other light industries, food processing, local industry .	1	15

At the same time the requirement by the planning commission that a separate profits plan shall be established for each enterprise,[58] and by the Ministry of Finance that the lion's share of planned profits shall be paid into the budget [59] (see Table 96) and that even the spending of the remainder shall be in conformity with approved plans, leaves the financial control with the central authorities.

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[55] It will be observed that the proportion of profit allocated to this fund varies from industry to industry, being highest in those industries in which conditions of work are, on the whole, the hardest in one way or another.

[56] Formerly called the Director's Fund. In addition a small proportion of profits is available for distribution as prizes to winners of competitions in " socialist emulation ".

[57] The effectiveness of the profit spur can be judged from the very precise instructions given, not only in the Soviet Union but also in the countries of eastern Europe, for the calculation of depreciation. Enterprise directors are warned not to try to conceal their true costs by neglecting to depreciate machinery installed during the year or by omitting to provide properly for capital repairs, and numerous examples are cited in the press of directors who have managed to get away with manipulations of this kind in the past (e.g., on 1 January 1954 in the Soviet Union the value of plant not formally installed but actually in operation was 7 per cent of all construction work in progress).

[58] An enterprise with modern equipment (and therefore lower costs) is expected to earn a higher rate of profit.

[59] The share of an enterprise's planned profits which is to be paid into the state budget is decided after consideration of the needs of the enterprise for working capital and fixed investment and expressed as an absolute amount. If, however, actual profits fall short of planned profits the enterprise's contribution to the budget is reduced pro rata.

The weakest point of the whole system appears to be the enforcement of the so-called " assortment " or product-mix plan. Even though prices in general are rational, anomalies are bound to remain, and there is a constant temptation for enterprise directors to produce too much of these goods which happen to be highly priced in relation to their costs, particularly if they happened to be even more highly priced in the base year in whose prices the gross output plan and its fulfilment are measured.[60] In principle, the obligation to fulfil the turnover tax plan should look after this in the consumer-goods industries—turnover tax yield being sensitive to variations in the composition of output—but in practice it seems so far to have been difficult to enforce.

The banks act as the agents of the government in controlling the operation of enterprises. The investment banks, of which there are four,[61] do little banking business in the sense understood in the west. Although their loans to building enterprises and local authorities have increased somewhat in recent years [62] lending is the least of their activities. Their main responsibility is that of paymasters of funds for investment. All such funds, whether they originate as the retained profits of enterprises, as depreciation allowances or as grants from the budget, are paid into special accounts with these banks, which may only be drawn on when the bank concerned has checked that the money is being spent in exact conformity with the plan. These banks, in addition, are charged with the task of watching the progress of each investment project.

The State Bank itself, which is the only bank permitted to create credit and the sole repository of state enterprises' current deposits, apart from managing the government's funds, lends at short term to state enterprises. Since 1939 it has been the policy of the Government to keep enterprises short of working capital: the amount of their current profits which they are permitted to retain to finance increases in stocks and work in progress is deliberately kept below their needs. As a result, the State Bank is in a strong position to enforce financial discipline and conformity with plans.

Decentralization of decision-taking

Thanks to the restoration of order in the price system the Soviet authorities have been able to make greater use of financial controls than in the early days. This in turn has permitted them to decentralize somewhat the control both of the current operations of enterprises and of investment decisions. In the first place control of a number of industries has in the last two years been handed over from the All-Union ministries to Union-Republican ministries, federations of republican ministries with seats in the various republics. Hitherto, only agriculture, forestry and consumer goods and services had been subdivided into Union-Republican ministries, but in 1954 and 1955 the coal, oil, metallurgical and building industries were transferred to republican control. At the same time, the discretionary limits for investment were revised. Thus, an enterprise in the iron and steel industry was formerly permitted to spend up to 10 million roubles without clearing the detailed plans with the ministry, and the ministry itself could authorize projects of up to 25 million roubles without clearance of details with the Council of Ministers. With the organization of a Union-Republican ministry (so far subdivided only for the Ukraine) the limits were changed to 3 million roubles for the enterprise, 25 million roubles for the republican ministry, and 130 million roubles for the All-Union ministry (beyond which Council of Ministers' approval was needed.) [63]

Second, it was laid down in the 1956 budget that the planning of local (municipal and regional) budgets should be transferred from the centre to the republics

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[60] " It should not be considered as normal when a series of industrial enterprises, in pursuit of general index numbers of plan fulfilment, over-fulfil the plan for products embodying less labour and systematically under-fulfil the plan for goods requiring more labour, for which considerable consumer demand exists." (*Planovoe Khozyaistvo*, No. 4, 1954, pp. 50-51.)

[61] The Industrial Bank (Prombank) serves industry, transport and communications. The Trade Bank (Torgbank) serves trade and procurement organizations and makes loans to industrial and consumer co-operatives (foreign trade transactions pass through the Foreign Trade Bank (Vneshtorgbank) but investment by a foreign trade organization, e.g. construction of a warehouse, is financed through the Torgbank). The Central Communal Bank (Tsekombank), a federation of local communal banks, deals with urban house-building and municipal development. The Agricultural Bank (Selkhozbank) is concerned with agriculture and forestry and gives loans for rural dwelling construction.

[62] *Soviet Union: Bank credit outstanding on 1 January*

Billions of roubles

	State bank [a]	*Investment banks* [b]
1933. . .	10	7
1938. . .	40	8
1941. . .	56	8
1951. . .	194	76
1953. . .	203	..
1954. . .	208	..
1955. . .	217	..
1956. . .	227	116

Sources: See Appendix C.

[a] Short-term credit.

[b] Preponderantly long-term credit.

[63] A blast furnace would cost between 70 and 100 million roubles, and a standard capacity open-hearth furnace 25 to 30 million roubles.

and, more important, that appropriations for expenditure by the republics on economic or social measures should be distributed in the form of block grants to be allocated at the discretion of the republican Council of Ministers.

The effect of this and other changes can be gauged from the following table:

Percentage of state expenditure distributed by republican and local authorities

(Planned figures)

	1951	*1953*	*1954*	*1955*	*1956*
Expenditure on the national economy [a]					
Out of budget grants	11.9	11.3	16.5	18.0	18.6
Out of retained profits	..	16.7	19.8	30.0	..
Expenditure on cultural and social measures and administration	55.4	56.1	54.1	54.7	64.9
Defence expenditure, loan service and other expenditure	—	—	—	—	—
TOTAL	21.6	19.4	21.2	22.6	24.5

Sources: Union and Republican budget reports; N. N. Rovinsky, *Gosudarstvenny byudzhet SSSR*, 1951, p. 47.

[a] Investment, subsidies and expenditure of MTS.

No figures are available on the share of fixed capital formation which is to come under the control of the republics, but that it is to rise is clear: gross fixed capital formation in state enterprises reporting to republican governments is to increase in 1956 by 36.7 billion roubles, whereas the increase for enterprises under central and republican administration together is to be only 20.8 billion roubles.

Third, and perhaps most important, directors of enterprises are now encouraged to show a rather considerable degree of initiative in preparing investment plans. The typical course of events in the case of investment in existing enterprises is for the management to offer to expand their output by the amount required by the ministry on condition that investment funds of the amount they judge necessary are forthcoming. In the case of moderate amounts, it is left to the management to prepare detailed plans for carrying out the investment without further reference to higher authority. The planning authorities can afford to forgo their rights to scrutinize plans, because the existence of a uniform and realistic wholesale price system guarantees that a project involving a certain amount of expenditure in one enterprise will be comparable in volume with another one of the same amount elsewhere. Finally, of course, the bank which handles the investment funds will be controlling the expenditure of the money.

TABLE 100

Finance of investment in eastern European countries

Percentages of gross fixed capital formation at current prices

	1949	1950	1951	1952	1953	1954
Bulgaria						
State investment:						
Budget grants [a]	67	63	64	64	64	54
Provision for depreciation	22	27	25	24	25	29
Other investment	10	10	11	12	11	17
Czechoslovakia						
State investment	81	77	87	91	88	89
Other investment	19	23	13	9	12	13
Eastern Germany						
State investment:						
Budget grants [a]	61	64	72	71	93	94
Provision for depreciation	29	16	16	21		
Other investment	10	20	12	8	7	6
Hungary						
State investment:						
Budget grants [a]	74	65	71	..	84	68
Provision for depreciation		30	23	17	12	25
Other investment	26	5	6	..	4	7 [c]

Sources: Budget reports and Tables 115, 119, 120 and 121.

[a] A small part is financed out of retained profits and bank credits.

[b] Including credits to co-operatives.

[c] Estimated amount of credits to agricultural co-operatives and mortgage loans for housing.

Investment finance and pricing policy in eastern Europe

In the countries of eastern Europe, though the formal provisions governing the control and finance of investment are very similar to, and indeed modelled on, the provisions of the Soviet Government, the picture is rather different. It will be seen from Table 100 that the share of total investment which is financed out of central funds is even higher than in the Soviet Union, and has in some countries been increasing until the last two years. The retained profits of enterprises or administrations are significant only in Rumania and eastern Germany.[64]

Moreover, whereas in the Soviet Union the share of state revenue coming from "normal" enterprise profits has been steadily rising, the reverse has been the case in eastern Europe (see Table 101). This opposite trend in eastern Europe is the result of slackness in attaining cost reduction plans, increases in raw material prices (for farm procurements) and, in the case of Hungary, to the practice of reclassifying profits shown in the preceding year as turnover taxes. The obverse of this trend has been that turnover taxes, in all the countries for which data are available, have been gaining in importance while in the Soviet Union their share in revenue has declined.

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[64] In eastern Germany all profits were channelled through the budget until 1955. The situation is now reversed, and about 80 per cent of profits planned for 1955 (after deduction of allocations to the Director's Fund) were to be retained within the industry where they arose. Neither the enterprise nor the central directorate will normally have access to other funds for projects planned as self-financed, if the profit plan is under-fulfilled.

TABLE 101

Government receipts from profits of state enterprises, direct taxation and borrowing in eastern Europe

Country and year	Total (Billions of national currency at current prices)	Percentage distribution			
		Turn-over tax	Profits	Direct taxes	Borrowing from the public
Bulgaria					
1950	158	60	21	19	—
1951	223	62	21	11	6
1952	11.9 [b]	66	23	10	1
1953	12.9	66	22	10	2
1954	14.3	68	21 [a]	8	3
1955	15.6	. .	. .	7	2
Czechoslovakia [a]					
1950	129	52	38	10	—
1953	367	61	29	10	—
1954	75.5 [c]	61	25	13	—
1955	71.4	63	23	14	—
Rumania [d]					
1950	261	65	22	13	. .
1952	22.3 [e]	60	26	14	. .
1953	25.2	60	27	13	. .
1954 [a] . . .	26.5	64	24	12	. .
1955 [a] . . .	26.4	67	21	12	. .
Hungary					
1950 [a]	20.1	44	33 [f]	20	3
1951 [a] . . .	26.6	48	33 [f]	16	3
1952 [a] . . .	42.8	63	24 [f]	11	2
1953	42.5	69	20 [f]	8	3
1954 [a] . . .	43.8	90 [f]		8	2
1955	42	87 [f]		9	4
Albania					
1951	4.9	77		23	—
1952	6.5	78		19 [a]	3
1953	7.9	80		14	6
1954	8.1	87		13	—
1955 [a] . . .	9.6	85		10	5

Sources : Budget reports.

[a] Budget estimates.

[b] In the monetary reform of May 1952, 25 old leva were exchanged for one new lev.

[c] In the monetary reform of 1 June 1953, 5 old crowns were exchanged for one new crown.

[d] Excluding receipts from state loan issues.

[e] In the monetary reform of January 1952, 20 old lei were exchanged for one new leu.

Including provision for depreciation.

The same reason lies behind both the greater centralization of investment finance and the unimportance of " normal " profit as a source of government revenue: the absence, so far, of rational price systems. The eastern European countries have been going through a phase of financial policy similar to that of the Soviet Union in the years of the first two Five-year Plans. They have been planning and accounting their investment and output in terms of prices which have not reflected at all accurately current relative costs. Meanwhile the current transfer prices at which producer goods changed hands within the state sector have in some cases been pegged at levels not reflecting at all closely current costs. The extreme case was that of eastern Germany, where until 1954 there was an attempt to hold prices at the 1944 level. In other cases transfer prices have been " spontaneously " fixed, as it is put, by individual enterprises. " Spontaneous " price-fixing brought wide spreads between the prices of identical goods,[65] and some attendant confusion. It also resulted in " assortment " plans being badly under-fulfilled. The pegging of prices at out-of-date levels, on the other hand, destroyed financial incentives for enterprises whose losses were made up by subsidies but which had no opportunity to earn profit. Moreover, as it was the prices of basic materials which were the most tightly controlled,[66] the enterprises which had the least opportunity and the least incentive to preserve financial discipline were those in the basic industries.[67] In general, raw materials were so under-valued that there was a temptation for managers in manufacturing industry to concentrate all their efforts to reduce costs on wage-costs and to neglect possibilities of economizing in the use of raw materials.

In these circumstances, governments lacked any means of making accurate comparisons of the efficiency of different enterprises, and could not rely to anything like the same extent as the Soviet Government on financial policy to enforce conformity with the various plans and norms laid down for the individual enterprise—production plan, assortment plan, labour productivity plan, raw material norms, cost reduction plan and profits plan.[68] As a result they were compelled to rely to a much greater extent on moral suasion and on purely administrative measures. Each propaganda campaign, however, has to be directed at one point only and always brings the risk that a gain at this point (e.g., an increase in labour productivity) will be offset by losses elsewhere (e.g., in waste of raw materials). And their effect is often shortlived. Administrative controls turned out to be expensive in terms of manpower.[69] Their counterpart was the impossibility of decentralizing decision-taking.[70]

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[65] In eastern Germany, for example, the same piece of equipment was sold by six different producers in Karl-Marx-Stadt each at a different ex-works price (varying between DM 16.90 and 38.55): a Leipzig factory bought the same castings from three different foundries at prices varying from DM 65 to 116 per 100 kg and DM 816 to 1413 per unit (*Einheit*, No. 10, 1955, p. 981). In Rumania the prices of imported raw materials were considerably lower than those of the same domestic product.

[66] Thus in Poland in 1955 only one coal mine of the eighty in operation did not require subsidies, and only three cement plants out of fifteen made a profit. No steel mill whatever was able to operate without subsidies (*Ekonomista*, No. 5-6, 1955, p. 53).

[67] Profits and payments to the Director's Fund (which vary with profits) were often greater in enterprises regarded as of secondary importance than in the heavy industries.

In most of the countries concerned, new prices have been fixed in the last year or so on more or less the same principles of price-fixing as those adopted in the Soviet Union for some years past.[71] This overhaul has involved the virtual recomputation of the wholesale price structure from raw materials up to final fabrication and the reassessment of turnover tax rates on consumer goods[72] so as to leave retail prices unchanged. As a result of the reform, the share of raw materials costs in total manufacturing costs has been increased considerably.[73] Some subsidies remain but these are paid at the later rather than the earlier stages of production. Plans for the 1956-60 period have been made in terms of these prices. The establishment of a more rational price system is intended to permit the governments concerned to exercise greater control through purely financial policy and to decentralize and simplify planning. The centripetal pressure of the past ten years has been relaxed, though not reversed: macroeconomic decisions (that is, those concerning the major over-all dimensions and the targets of the economy) remain firmly—indeed more firmly than ever before—the prerogative of the central authorities, but decisions on the mode of their execution are becoming increasingly the responsibility of those in direct charge of the producing units.

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[68] Even the setting of these norms cannot be efficiently done in the absence of over-all criteria of efficiency.

[69] See SURVEY for 1954, Table 24 and text table on page 42.

[70] For a comprehensive account of the disadvantages of the price-structure ruling in Poland until 1954 and an explanation of the proposed reforms, see Włodzimierz Brus, " On Some Problems of the Influence of the Law of Value on Socialist Production," *Wirtschaftswissenschaft*, No. 4, 1955.

[71] In Poland there was some discussion of the possibility of fixing the price of producer goods at a level which would cover what is called the " full value " of the goods, that is. at the cost (including amortization of plant) to the average enterprise producing it *times* the ratio of national income to the total incomes of productive workers and peasants. With this system the price of every producer good would be proportional to its direct and indirect labour content. This suggestion was rejected on the ground that it was important to show that the " law of value " does not apply to producer goods, but only to consumer goods and agricultural raw materials. (See W. Brus, op. cit., p. 517.) The effect of adopting it, of course, would have been to inflate both government revenue and government expenditure the same way as the levying of turnover tax on producer goods did in several countries until recently.

[72] Turnover taxes on producer goods, which unnecessarily complicated cost accounting, have by now, as in the Soviet Union, been almost entirely repealed.

[73] The effect of increasing subsidization in Poland in decreasing the share of materials in costs of production, and the reversal after the 1955 reform, may be seen from the following table (from *Ekonomista*, loc. cit., pp. 52 and 59):

Percentage break-down of costs in Polish industry

	1951	*1954*	*1955 a*
Materials	70	63	70
Wages	19	27	20
Amortization	3	3	5
Other	8	7	5

a Post-reform.

In individual industries the changes effected by the reform were even sharper: thus the share of material costs and amortization charges together were in 1955 in the engineering industry 51 per cent before and 64 per cent after the reform, in electricity generation 52 and 68 per cent and in metallurgy 71 and 81 per cent respectively.

Chapter 8

INVESTMENT PROGRAMMES AND RESULTS IN THE SOVIET UNION AND EASTERN EUROPE

1. The Soviet Union

The Fifth Five-year Plan, 1951-1955

The amount spent by the Soviet Government on productive fixed investment[1] during the five years 1951 to 1955 was only about one-sixth less than the total amount spent (adjustment being made for changes in prices) during the whole period of the four previous five-year plans—a span of 18 years, if the war years are neglected. Probably more than nine-tenths of productive investment during the last five years has been new investment[2]—that is, represented increases in productive capacity. Given that the bulk of industrial capacity has been installed since 1928 and is therefore covered by the figures shown in Table 102, this must mean an annual rate of increase of industrial capacity, even before taking account of improvements due to technical progress, approaching 10 per cent.[3] Over the same period the industrial labour force increased by rather more than 5 per cent per annum, so that there was a significant increase in the degree of capital-intensity in industry.

As Table 102 shows, the total of state investment, productive and non-productive, over the five years was remarkably close to the target figure announced in the plan. Similarly, the target rate of growth of national income—like that of investment, 10 per cent per annum[4]—was slightly exceeded.[5] Both the composition of national income and of investment and the distribution of income differed, however, from what had originally been planned, because of an initial miscalculation about agricultural output and because

Table 102

Gross fixed investment by the state in the Soviet Union, 1929 to 1955

Billions of roubles at prices of 1 July 1950

	1929-1950	1951-1955	
	Actual	Plan [a]	Actual [a]
Heavy industry	483	..	425
Light industry	59	..	50
All industry	542	510	475
Transport and communications . .	162	90	90
Agriculture	61	60	70
Total productive investment [b] . .	765	660	635
Other state investment	..	70	105
Total	..	730	740
Of which :			
Housing	..	100	105

Sources : Speech by the then Chairman of the Council of Ministers, Mr. Malenkov, reported in *Izvestia*, 9 August 1953 (which contains figures of state fixed investment in the period 1929-1952, revalued at 1950 prices), the Fifth Five-year Plan and Table 128 at the end of this chapter. See also Appendix C.

[a] Rough estimates.

[b] Excluding investment in trade and including some investment in housing.

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[1] In principle productive investment is defined in the Soviet Union and eastern Europe as investment in industry, transport, communications, trade and agriculture. But in practice it has not been possible to exclude housing and other non-productive construction by state industrial, transport and agricultural enterprises from the figures. The point is, however, of small importance for the comparison made in the text.

[2] See Chapter 7, Section 1.

[3] This conclusion agrees with the results of a very rough computation which suggests that the stock of all productive capital in 1950 was probably of the order of 1,200 billion roubles at 1950 prices. This compares with an average annual investment in productive capital in the years 1951 to 1955 of 128 billion roubles at 1950 prices. The estimate of the capital stock was derived as follows: The figure for 1940, at 1945 prices, given in *Spravochnik agitatora*, 1949, p. 41, was multiplied by an index of the increase in volume (at 1950 prices) from 1940 to 1950 (obtained from *Finansy SSSR*, No. 1, 1955—which gives the 1953 stock as a percentage of the 1940 stock—and *Voprosy Ekonomiki*, No. 6, 1954—which gives the 1953 stock in industry as a percentage of 1950). The resulting figure for 1950 (960 billion roubles at 1945 prices) was then adjusted to 1950 prices by using the over-all price index shown in the sources to Table 102, Appendix C.

[4] These two rates of increase are not strictly comparable: the volume of investment during the Fifth Five-year Plan was computed at the prices of 1 July 1950, whereas in the official national income calculations 1951 prices were used. Industrial production, it may be added, was measured at the prices of 1 January 1952.

[5] As was explained in Chapter 7, Section 1, the official estimates of the rate of growth of national income are somewhat on the high side, because of the statistical convention adopted in valuing agricultural output consumed on farms.

TABLE 103

Income, investment and output targets of the Soviet Fifth and Sixth Five-year Plans

	1955 (1950 = 100)		1960 (1955 = 100)
	Plan	Actual	Plan
National income	160	168	160
State fixed investment	160 [a]	157	175 [a]
Gross output of industry	170	185	165
of which :			
Producer goods	180	191	170
Consumer goods	165	176	160
Employment in industry	113	129	110
Labour productivity in industry	150	144	150
Real wages of workers	135	139	130
Real incomes of collective farmers	140	150	140

Sources : Pravda, 12 October 1952 and 15 January 1956.

[a] Calculated on the assumption that investment is planned to increase at a constant rate sufficient to give the total planned for the whole 5-year period.

of the efforts made to compensate for it when it was recognized. The planners at first counted on achieving an increase of about 40 per cent in agricultural output, mainly through increases in yields,[6] at the cost of an investment of some 60 billion roubles. By previous Soviet standards this was a large agricultural investment programme—no more had been spent in all the years since 1929—but it proved to be quite inadequate to achieve the objectives of the plan.

The remedial measures taken in 1953 and later were of two kinds. On the one hand, a larger share of investment than had been planned was channelled into agriculture when the virgin lands campaign was launched. On the other, the terms of trade between town-dwellers and peasants were shifted to the advantage of the peasants—in order to encourage them to greater efforts and to stimulate investment in collective farms and private plots—by increases in agricultural procurement prices. The effect of this on the distribution of income is illustrated in Table 103, where it is shown that (in spite of the fact that agricultural output increased in less than the planned proportion whereas the reverse was true in industry) the average real income of collective farmers exceeded the planned figure by more than did the average real wages of workers.

Meanwhile, investment in social capital was also pushed beyond the planned limits, the lag of new housing behind the plan [7] was eliminated and in 1953 and 1954 a greater share of income was allocated to consumption.[8] Investment in industry bore the brunt of these adjustments. In 1953, indeed, it seems to have been actually lower than in the previous year. There is no evidence that investment in the basic industries was less than had been envisaged in the five-year plan, but—as data in Table XXX indicate—the supply of some type of engineering equipment to industry fell below the plan. Nevertheless, in spite of the cuts industrial output increased rather faster than had been planned because of an inflow of labour considerably greater than had been expected. The extent to which the Soviet Government can still draw on reserves of manpower and natural resources so far untapped is illustrated by the fact that it proved possible to compensate more than fully for disappointments in the field of industrial productivity by drawing on extra manpower and to compensate partially for miscalculations about agricultural yields by bringing new lands under the plough.

The Sixth Five-year Plan, 1956-1960

The draft of the Sixth Five-year Plan recently announced reads in many ways like a continuation of its predecessor, as modified during its course. The output of such basic products as coal, oil, electric power and steel is (see Table 90 above) to increase at much the same rates as those planned and achieved during the last five years, the absolute increases being far greater than any hitherto obtained.

State-financed house-building is to increase by about 15 per cent per annum, compared with 12 per cent in 1954 and 1955. School construction is to double over the five years,[9] but hospital capacity is to increase only by 28 per cent, exactly the same proportionate increase as in 1951-55. The plans for additions to cinemas, radio and television transmitters appear to represent a considerable acceleration. The output of the engineering industry is to increase only slightly less fast than during the Fifth Plan.

There are, however, some very important differences between the present investment plans and those of the previous periods. In the first place, whereas during the Fifth Plan national income and state fixed investment were both planned to increase, and did in fact increase, at the same rate—10 per cent per annum—the new draft plan, as shown in Table 103, calls for a faster rate of increase in investment (12 per cent per annum) than in national income (10 per cent). Moreover, employment in industry is scheduled to increase by less than 2 per cent per annum, as compared with the 3 per cent planned for the years 1951-1955 and the 5 per cent realized. It is clear from these figures alone, even if more direct evidence were not available, that efforts to increase productivity are to be greatly intensified,[10] and that, unless output increases faster than is counted on or defence expenditure remains at or below the reduced level decided on for 1956, the increase in real wages is intended to be significantly less than the increase in productivity.

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[6] See *Economic Survey of Europe since the War*, p. 39.

[7] The housing shortage in towns still remained acute, however (see Table 108).

[8] In these years average real wages of industrial workers increased faster than productivity.

[9] This almost certainly represents an increase in the rate of growth as considerable expansion of pupil and student numbers is expected (secondary education is to be universalized by 1960 and fees for the senior forms of secondary schools and for higher education are to be abolished).

Second, the draft plan discloses that a large percentage of the increased output of industry is this time intended to come from improvements in methods of work and capital equipment in existing factories, as distinct from investment in new plants. Thus 35 per cent of the planned increment of output of pig-iron is to come from the modernization and better utilization of existing capacity, 40 per cent of the very large increase in the production of electrical locomotives, nearly half the extra steel, two-thirds of the additional machine tools and tractors, and 85 per cent of the additional window glass. (See Table XXVIII in Appendix B).

Third, there is a great emphasis on the importance of introducing the most highly mechanized techniques wherever possible, and a Ministry of Automation has been founded whose duties are to prepare plans for introducing fully automatic processes in a wide range of industries.

It has always been the official Soviet policy to build new factories on the most advanced pattern known at the time, and the planners have never hesitated to advocate the use of highly capital-intensive methods of production even in circumstances when, if attention had been paid only to the relative scarcities of manpower and capital in the short term, it might have been judged expedient to save on capital costs by using more labour.[11] But hitherto, a factory once built has been left to continue producing in the way it started, and there has been little scrapping of old plant. The justification for this attitude is quite obvious: as long as manpower is plentiful it is a social waste to scrap equipment before it is completely worn out.[12] As a result the dispersion of individual factories' productivities about the average has become steadily wider, particularly in the fast-growing heavy industries.

The signal for the change in investment policy was given by the Chairman of the Council of Ministers in two important pronouncements in July 1955. The main theme of Marshal Bulganin's speeches was the current neglect of modern techniques and equipment which he noticed in Soviet industry. Some Soviet machines were, he said, of lower efficiency than comparable machines in capitalist countries and in eastern Germany and Czechoslovakia. Moreover, they were often unnecessarily heavy—i.e., contained too much steel. Not only were project-makers too inclined to approve projects involving the use of existing techniques and too slow to introduce the ideas of foreign technology, but they were often too unimaginative to see that the efficient application of a new technique might involve a completely re-designed machine. Enterprises in their turn had too little financial incentive to introduce new techniques, and directors of enterprises had too narrow limits set to their powers, so that they had to seek prior approval for use of their own working capital to buy small tools or for acceptance of orders outside the plan to absorb unused capacity. Many enterprises operated inefficiently because they were expected to produce too great a variety of goods: with greater specialization could go more standardization. In the meantime, because too much unskilled labour was used in many branches of industry, manpower was in embarrassingly short supply in some districts, and there was considerable under-utilization of capacity.

These comments constituted a plea for improving efficiency in existing plants by a bold policy of scrapping. It is evidently held that for the time being more can be gained by substituting capital for labour than by extending employment opportunities in industry. One corollary of this is that, though of course the development of backward regions is to go on,[13] in the current five-year plan the spread between the target rates of development of different republics is less than has been the case in the past (see Table XXIX). A larger proportion of investment is to go into the existing industrial centres.

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[10] Somewhat surprisingly, costs of production are planned to fall less proportionately than in the Fifth Five-year Plan.

[11] One reason for this was doubtless that, though manpower as a whole was plentiful, skilled manpower was scarce.

[12] A recent article in *Partinaya Zhizn* (1955) explained that in the past this attitude went so far that it was often held that a machine could in no circumstances become obsolete in a socialist economy.

[13] In particular it is planned to develop a more or less self-contained industrial region in the Siberian part of the RSFSR. See Chapter 6, Section 5.

It would be going much too far to suggest that the Soviet Union has exhausted its manpower reserves: 45 per cent of the working population is still employed in agriculture, with relatively low productivity. But it is evidently thought dangerous to rely on transfers of labour from agriculture to anything like the extent, experienced in the past, until the stock of capital in agriculture has been greatly expanded.

2. Investment in eastern Europe, 1949-1955

The long-term investment plans published in the years 1948-1951

The Soviet Fifth Five-year Plan was unique in Soviet history, apart from the Third Plan, which was interrupted by the war, as being a plan designed not to increase, but to sustain, the rate of growth. In this respect the plans prepared by the governments of eastern Europe in the late 'forties and early 'fifties were much more similar to the earlier Soviet plans. All of them were designed to make the transition to a higher rate of growth and in every case except Rumania[14] this was to be brought about by increasing progressively the share of the national income devoted to accumulation.

The first such plans were those of Bulgaria and Czechoslovakia, designed to cover the years 1949 to 1953. In both cases an increase in the ratio of fixed investment to national income[15] was contemplated from almost 20 per cent in the year before the plan to about 30 per cent by the end of the planning period. Similarly, the Polish long-term plan announced in 1950 called for an increase in the fixed investment ratio over six years from 20 to 30 per cent. The Hungarian plan announced in 1949 was more modest—a rise from 18 to only 21 per cent was demanded—but more short-lived: the second version issued in 1951 pushed up the target investment ratio to 30 per cent.[16] In the same year an eastern German plan was announced which implied increasing the share of investment from the very low figure of 8 per cent to about 18 per cent, and a revised version of the Czechoslovak plan was put out which raised the target investment ratio in the last year of the plan to 32 per cent.[17]

TABLE 104

Distribution of planned investment in the Soviet Union and eastern Europe, 1949 to 1955

Country and period		Industry	Agriculture	Transport	Other [a]	Housing (included in previous columns)
Soviet Union [b]	1951–1955	70.0	8.2	12.3	9.5	13.7
Czechoslovakia	1949–1953 [c]	55 *	7 *	13 * [d]	25	10 *
Eastern Germany	1951–1955 [c]	53.8	6.3	9.4	30.5	15.0 [e]
Rumania [b]	1951–1955	53.4	10.0	16.1	20.5	3.3
Hungary	1950–1954 [c]	51.8	12.9	11.8	23.5	7.6 [e]
Poland	1950–1955	45.4	12.0	14.9	27.7	. .
Albania	1951–1955	42.6	13.4	14.4	29.6	10.0
Bulgaria	1949–1953	40.0	17.4	24.2	18.4	4.5

Sources : Tables 102 and 112.

[a] Housing (other than dwellings built by Soviet industrial, transport and agricultural undertakings), schools, hospitals, public buildings and retail and wholesale trade.

[b] State investment only.

[c] Plans published in 1951.

[d] Excluding roads.

[e] Including expenditure on town and country development.

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[14] National income in Rumania was actually planned to increase faster than investment. This was because plans were drawn up on the assumption that 1950 would be an "average" year for crops: when the harvest turned out to be unusually bad and national income lower than expected, neither the income target nor the investment target was revised. As a result the rate of growth of income required to meet the income target was pushed up.

[15] All the figures given in this paragraph are of the ratio of *gross* fixed investment to national income, both measured at constant plan prices. This was a choice imposed by the statistics. It is, however, not as illogical as it might seem, since the greater part of gross investment is new investment.

[16] The Government of Bulgaria achieved a similar effect by pressing for the fulfilment of the five-year plan in four years. Later the same procedure was followed in Rumania, though only for a few months.

[17] This is based on the statement in the government decree on the revised five-year plan that the new plan envisaged the spending of 558 billion crowns at 1950 prices—i.e., about 400 billion crowns at 1948 prices—*during the years 1949 to 1953.* (*Sbírka zakonů republiky Československé* ("Collection of laws of the Czechoslovak Republic"), 24 April 1951.) Earlier the official gazette had reproduced a speech made by Mr. Dolansky, the then Chairman of the Planning Board, on 22 February 1951, in which the same figure of 558 billion crowns was stated to be investment planned *for the years 1951 to 1953.* (*Uřední list republiky Československé*, 28 February 1951.)

The eastern European plans were more ambitious than the contemporary Soviet plan for two further reasons. In the first place, governments felt it necessary to devote a considerably larger share of their investment funds to increasing the stock of social capital—schools, hospitals, etc. To the extent that the growth of education services is particularly slanted towards technical education the returns in the form of extra output may come fairly quickly, but much of this investment, whatever its contribution to welfare and to productivity in the longer run, generates little extra output in the short term. It will be seen from Table 104 that this social overhead was intended to take less than 10 per cent of total investment in the Soviet Union and between 15 and 20 per cent in eastern Europe, while the share of transport in investment, though less than during the earlier reconstruction period, was also to remain quite large in several countries.

Second, it was assumed that, whatever the size, natural resources and industrial structure of a country, the rate of growth of its economy could be levered up only by expanding heavy industry faster than light industry, as had been done in the Soviet Union.[18] And there was remarkably little co-ordination of the plans of different countries for developing heavy industry. As technical factors set a minimum to the possible size of plants in some branches of heavy industry, it was inevitable that a larger proportion of investment resources would be locked up each year in unfinished projects than would be the case in a country as big as the Soviet Union.[19]

Thus, even if all the targets of the plans had been perfectly compatible with one another, their implementation would have imposed a serious strain on administrations still feeling their way in a new field.

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[18] For example, Professor Tamás Nagy, a Hungarian economist, writes: " The fundamental law requires that production should surpass consumption, and that the consumption of the population should constantly increase; ... it also requires that the production of producer goods should increase in the long run at a higher rate than that of consumer goods." (*Magyar-Szovjet Kőzgazdasági Szemle*, No. 3, 1954, p. 209.)

[19] In the Polish Six-year Plan it was assumed that the value of completed projects would be only four-fifths of actual expenditure during the plan period.

TABLE 105

Average annual rates of growth of national income and gross fixed investment during the long-term plans ended 1953 to 1955

Percentages

Country and period		Rates of growth per annum: Planned: National income	Planned: Gross fixed investment [a]	Actual: National income [b]	Actual: Gross fixed investment [b]	Degree of fulfilment of the plans for: National income in the last year of the plan	Gross fixed investment over the whole plan period
Poland	1950–1955	13	21	11	22	88	103 [c]
Bulgaria	1949–1952	13	22	13½	26	102	110 [d]
	1953–1957	10	9	..	9 [e]	..	102 [e]
Rumania	1951–1955	21 [f]	17	13	15	72	95
Albania	1951–1955	15	24	..	20	..	91
Czechoslovakia	1949–1950	8	24	9	38	107 [g]	100 [g]
	1951–1953	13	20	10	7½	94 [h]	85 [h]
Hungary	1950	10	14	16	43	92 [g]	132 [g]
	1951–1954	18½	28	6½	16	65 [h]	79 [h]
Eastern Germany	1951–1955	10	27½	10	15	101	71

Sources: Tables 112 to 127 at the end of this chapter.

[a] Calculated on the assumption that investment was intended to increase at a constant rate sufficient to give the total planned for the whole period of the plans.

[b] Average rate of growth per annum.

[c] The ratio of total actual investment to planned investment. If investment outside the plan is deducted from the numerator the ratio becomes 93 per cent.

[d] The ratio of total investment (including unplanned investment) in the four years 1949 to 1952 to the amount implied for these years in the original five-year plan for the years 1949 to 1953. In fact there was an attempt to fulfil the plan in four years, which was successful only to the extent of 78 per cent in the case of investment.

[e] The two years 1953 and 1954 only.

[f] See footnote 14.

[g] Degree of fulfilment of the five-year plan in its original version.

[h] Degree of fulfilment of the five-year plan in its revised (1951) version.

TABLE 106

Degree of fulfilment of fixed investment plans in eastern Europe

Percentages

	Czechoslovakia 1949-1953 [a]	Eastern Germany 1951-1955 [a]	Hungary 1949-1954 [a]	Poland 1950-1955	Rumania 1951-1955	Bulgaria 1949-1953 [b]	Albania 1951-1955
Heavy industry	69	..	72	..	119	118	..
Light industry	60 [c]	..	66	..	75	83	..
All industry	68	69	72	104	111	112	107
Agriculture	142 [c]	106	84	84	98	81	104
Transport	..	67 [d]	86	82	66	68	70
Housing	82 [c]	81 [e]	91 [e]	85 [g]	112	103 [g]	81
Other [f]	..	57	91		66		75

Source : Table 112 at the end of this chapter.

[a] Plan fulfilment is, except where otherwise stated, measured with reference to the revised plan published in 1951.

[b] Although the First Five-year Plan was officially wound up after four years the degree of plan fulfilment is here measured in terms of actual investment during the full five years for which the plan was originally to run.

[c] Plan fulfilment is measured with reference to the original plan published in 1948. There is, however, no reason to believe that the targets for these items were significantly altered in the revised version published in 1951.

[d] Investment in telecommunications was included in the plan, but not in actual investment.

[e] Including expenditure on town and country development.

[f] Schools, hospitals, public buildings, etc., and trade.

[g] Excluding actual investment outside the plan.

Degrees of fulfilment of the long-term investment plans

Table 105 shows the degree of fulfilment of the investment plans over the whole period of the long-term plans. It will be seen that in no case did governments succeed in devoting to investment within the plans as much as had been intended in the final versions of the plans,[20] but that the shortfalls were small in Poland, where the target rates of growth were lower than in other countries, and in the three least industrialized countries. In Czechoslovakia about 85 per cent of the investment planned was carried out, in Hungary less than four-fifths and in eastern Germany little more than two-thirds. These were the three countries where the most ambitious increases had been planned.

It will be seen from Table 106 that fulfilment tended to be uneven as between different sectors of the economy. In all countries investment in the infrastructure of the economy—transport, social capital, and housing—was cut back; in most countries economies were made in agriculture. Even these reductions did not prevent shortfalls of industrial investment of nearly one-third in eastern Germany, Hungary and Czechoslovakia.

The achievements of investment policy

Within industry it was naturally in the priority sectors—mining, electric power and metallurgy—that the highest degree of plan fulfilment was recorded. Indeed, as can be seen from Tables 122 and 127 at the end of this chapter, in Hungary and Rumania, the only two countries for which detailed breakdowns of industrial investment are available, investment in both the coal and the oil industries was pushed far beyond the levels laid down in the plans (even in the greatly expanded plan announced in 1951 in Hungary). As a result of the massive investment in oil in Rumania, the output of oil, which had previously been declining, was raised considerably above what had originally been planned, and the stage has now been reached when Rumania can look forward to having an important petro-chemical industry in a few years.

Only part of the fruits of the high level of investment in the basic industries can be seen in increases of capacity actually in use, because of the inevitable lag of completions behind expenditures as long as investment is increasing. Nevertheless, the increases in capacity were considerable. Electrical generating capacity in eastern Europe as a whole increased by 4700 MW over the five years 1951-1955, that is at a rate of 6½ per cent per annum on the average (but at a faster rate in the more recent years, as earlier projects were completed). In both eastern Germany and Czechoslovakia six blast furnaces were built (and in eastern Germany one plant with 10 low-shaft

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[20] The percentages shown in the table exceed 100 in the case of Poland, because of the inclusion of unplanned investment in the total of actual investment, and in the case of Bulgaria because actual investment in the four years for which the 1949-53 plan in the end ran has been compared not with the planned total for the five years, but with the amount implied by the plan for accomplishment in the first four years.

TABLE 107

Planned and actual increases in industrial output during the long-term plans

Millions of tons and percentages

Commodity	Poland 1949 to 1955			Eastern Germany 1950 to 1955			Rumania 1950 to 1955			Hungary 1949 to 1954			Czechoslovakia 1948 to 1953		
	Plan	Actual		Plan	Actual		Plan	Actual		Plan	Actual		Plan	Actual	
	Absolute increase		Percentage increase	Absolute increase		Percentage increase	Absolute increase		Percentage increase	Absolute increase		Percentage increase	Absolute increase		Percentage increase
Electric power [a] . . .	11.0	9.5	114	13.9	9.7	50	2.6	2.2	104	4.4	2.3	92	5.2	4.9	65
Hard coal	25.9	20.2	27	0.7	. .	. .	4.6	2.3	59	15.7	10.2	86	9.6	2.6	15
Brown coal	3.8	1.4	30	88.2	64.4	47							12.2	10.8	46
Crude oil	. .	. .	. .	—	—	—	5.0	5.5	110	. .	0.7	138	0.3	0.1	300
Iron ore	2.3	1.2	171	3.3	1.3	325	0.4	0.2	53	. .	0.1	15	3.7	1.1	79
Pig iron	2.1	1.7	124	1.7	1.2	400	0.5	0.3	80	0.9	0.4	105	1.4	1.1	69
Crude steel	2.3	2.1	92	2.1	1.5	150	0.7	0.2	38	1.3	0.6	73	1.9	1.8	67
Rolled steel	1.7	1.5	100	1.4	1.0	125	0.4	0.1	24	. .	0.4	74	2.1	1.2	73
Sulphuric acid [b] . . .	264	173	63	205	238	97	91	40	78	. .	. .	. .	. .	96.8	45
Caustic soda [b]	104	43	74	150	100	67	. .	. .	. .	1.5 [c]	3.4	41	. .	. .	. .
Soda ash [b]	227	48	30	537	357	347	. .	. .	. .	. .	. .	. .	. .	. .	. .
Nitrogenous fertilizers [b] (nitrogen content) .	157	81	109	69	61	26	. .	. .	. .	241 [c]	1	1	33.1	6.3	20
Cement	2.7	1.5	65	2.6	1.5	107	1.8	1.0	56	1.6	0.4	73	1.7	0.7	40

Sources : Plan texts and Tables XXXII to XXXVI.

NOTE. — For Poland and Rumania, plans announced in 1950, for the other three countries, those in 1951.

[a] Billions of kWh.

[b] Thousands of tons.

[c] 1949 version.

furnaces), in Poland four, in Hungary and Rumania two and Bulgaria one.[21] Poland added 10 open-hearth furnaces and Czechoslovakia nine to their steel-making capacity, together with a number of alloy steel electric furnaces. The increase in open hearth capacity in eastern Germany is probably as great as in these two countries combined: the new Brandenburg steelworks alone operates ten furnaces. In eastern Germany a new process of cokefaction of brown coal was launched on a large scale, which may prove of great importance for the metallurgy of countries such as Hungary and Rumania, which are also poor in coking fines.

The increases in the production of basic materials for heavy industry were thus in nearly every case substantial, though as can be seen from Table 107 output in all countries lagged behind the ambitious targets set in the strained atmosphere of 1951. Part of the increases shown, however, particularly in the earlier years of the long-term plans, was the result of a more efficient use of existing capacities rather than of new additions to the capital stock.

Engineering expansion was also substantial, particularly in the countries whose engineering industries were already important. In Czechoslovakia, more than one quarter of the total investment in industry went into engineering,[22] and the stock of automatic and semi-automatic tools increased by 40 per cent in the five years of the plan. In eastern Germany, substantial new capacity was built up in the heavy branches of engineering (especially machine tools, electric generators and shipbuilding). In Hungary, engineering took about one-fifth of investment in industry [23] and there was a notable development of decentralized medium heavy-engineering plants in densely populated rural areas.[24] In Poland, several quite new industries were started: motor vehicles (three assembly plants and several subsidiary factories), shipbuilding,[25] and mining, heavy metal-working and agricultural machinery. Rumania invested more than had been planned in a number of specialized branches of engineering, producing oil-drilling and mining equipment, tubes, construction equipment, railway equipment and agricultural machinery. Bulgaria too built up a new engineering industry covering the manufacture of machine tools, electrical engineering and shipbuilding.[26] In all countries foundries and ball-bearing works received substantial investment funds.[27]

Gross output of metal-using industries in three eastern European countries

1950 = 100

	1951	1952	1953	1954	1955
Eastern Germany:					
Engineering	124	152	176	195	209
Electrotechnical industry	130	160	194	225	231
Precision mechanics	122	14	153	172	196
Total	125	153	178	199	212
Hungary	162	226	266	238	..
Poland [a]	191	..	280	..	400

Sources: Economic Bulletin for Europe, No. 2, 1955, p. 96; information transmitted by the State Central Statistical Administration (East Berlin); *Trybuna Ludu*, 16 July 1952 and 1 January 1956; *Zycie Gospodarcze*, No. 14, 1954.

[a] 1949 = 100.

Investment in the building and construction industry itself was planned to amount to 3 to 4 per cent of total investment in industry in Hungary, Rumania and Bulgaria, but actually twice this amount was spent in Hungary and Rumania (see Tables 122 and 127 at the end of this chapter). In Poland 6 per cent of total industrial investment went into building mechanization and related investment. A substantial stock of building machinery was created and the mechanization of building operations reached an advanced stage, as can be seen from the table below.

Mechanization of building operations

		Percentages of all work		
		Earth work	Concrete mixing	Lifting
Czechoslovakia	1950	45	..	..
	1953	78	90	..
	1955	81	90	95
Hungary	1951	35	75	..
	1954	48	75	..
Poland	1952	45	97	94
	1954	52	100	98
Bulgaria	1952	22.5	71.3	..
	1954	42.2	73.3	..

Sources: Plan fulfilment reports; *Rudé Právo*, 15 September 1954 and 15 October 1955; information received from the Governments of Poland and Bulgaria.

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[21] The blast furnaces are of the 800 cu. m. type in Poland, of the 700 cu. m. type in the other countries, except Rumania and Bulgaria, which probably have furnaces of the 450 cu. m. type. Of the total increment of pig-iron production in the five major producing countries during their long-term plan periods (4.7 million tons) 80 per cent came from new plant.

[22] New enterprises (24) had a 25 per cent share in the investment total in this branch.

[23] For details see Table 122 at the end of this chapter.

[24] Of the 28 new engineering plants 8 were located in rural districts.

[25] The capacity of Polish shipyards was more than 100,000 deadweight tons in 1955.

[26] In the report on the 1949-1952 period nine new engineering enterprises are listed.

[27] The eastern European governments have co-operated in drawing up the production programmes of their ball-bearing factories so as to avoid duplication.

TABLE 108

Estimates of housing stock in eastern Europe and the Soviet Union

	Unit	Bulgaria		Czecho-slovakia		Eastern Germany		Hungary		Poland (towns only)			Soviet Union (towns only)	
		End-1948	End-1954	March 1950	End-1954	End-1950	End-1955	Jan. 1941	July 1954	Feb. 1946	Dec. 1950	Dec. 1954	End-1950	End-1955
Number of dwellings	Million	1.63	1.72	3.61	3.75	..	..	2.35	2.44	1.92	2.45	2.71	13.4	17.4
Number of rooms [a] .	Million	..	..	8.02	8.32	..	..	5.4[b]	5.6[c]	4.41	5.97	6.62	40	50
Rooms per dwelling .	Number	..	..	2.2	2.2	..	..	2.3	2.3[c]	2.30	2.44	2.44	3	3
Total floor space . .	Million m^2	..	87.7	139.7	144.9	193	206	..	..	..	..	..	495	645
Clear living space [d] .	Million m^2	43.3	48.5	98.0	101.6	135	144	..	..	..	..	..	347	452
Population	Million	7.1	7.5	12.34	12.95	18.4	18.0	9.28	9.75	7.5	9.2	11.4	70.0	88.0
Clear living space per inhabitant	Square metre	6.0	6.5	7.9	7.8	7.3	8.0	..	..	..	..	..	5.0	5.1
Dwellings per thousand inhabitants		227	229	293	289	..	..	253	250	256	265	237	191	198
Persons per room . .		..	..	1.5	1.56	..	..	1.7	1.74	1.70	1.54	1.72	1.8	1.7

Sources : Material collected by the Housing Committee of the Economic Commission for Europe for a forthcoming publication "The European Housing Situation".

NOTE. — In the case of Czechoslovakia, Poland and eastern Germany, the estimates of the housing stock in the latest year shown were obtained by adding completions to the previous census figures. No allowance was made for demolitions.

[a] Including kitchens.

[b] Estimated: the figure given in the Hungarian census of 1941 is 3.46 million, but this excludes separate kitchens.

[c] The 1954 housing census covered only urban districts and 106 rural municipalities. The average of rooms per house shown there has been assumed to be applicable to the whole country.

[d] Total floor space, *minus* the space of kitchens, bathrooms, halls and lavatories.

In the chemical industries a number of important projects were carried out: plants producing basic chemicals, fertilizers, dyestuffs and pharmaceutical products were erected in practically all the countries. In eastern Germany the bottleneck of basic chemicals was eliminated: production of sulphuric acid doubled and soda ash supplies quadrupled and are now satisfactory. Production of plastics—though after a late start—is rapidly approaching advanced international standards, and in eastern Germany the serial production of all-plastic car bodies was started. In Rumania the intermediate stages of the chemical industry also developed remarkably. In Hungary a big fertilizer plant was approaching completion in 1955; one other has been greatly expanded; some new pharmaceutical works have been established. In Bulgaria four new heavy chemical plants (sodium, carbide, dyestuffs) and three light plants (pharmaceuticals and nicotine) started production.

The growth of employment in industry was very considerable. The biggest proportionate increases were recorded in Poland and Rumania; in Poland the number of people employed in industry and building expanded by nearly 1.2 million (about 50 per cent) from 1948 to 1953,[28] in Rumania employment in industry about doubled between 1948 and 1955, implying an increase by 700,000. In Hungary total employment in industry and building increased by 500,000 in the 1949 to 1954 period but the number of manual workers only by 300,000.[29] In Bulgaria, additional employment in state industry was only 80,000[30] but the total increase in the number of wage- and salary-earners was 350,000.

In the more highly industrialized countries of the region the competing demands from other sectors of the economy, mainly agriculture, limited the expansion of industrial employment even in the early years of the long-term plans. In Czechoslovakia, nevertheless, manpower in mining and manufacturing increased by 350,000 between 1948 and 1953, 70 per cent of the extra employment being in the metal-making and metal-using industries, while employment in the building and construction industry increased by 100,000.

As a result of the growth of industry, urban populations grew fast—by as much as a quarter in Poland in the four years 1951 to 1954—and housing needs with them. House-building programmes were, however, on a modest scale, and as can be seen from Table 108 the housing situation, already not satis-

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[28] See SURVEY for 1954, p. 38.

[29] See "The Economy of Hungary, 1950-1954", *Economic Bulletin for Europe*, Vol. 7, No. 2, p. 90.

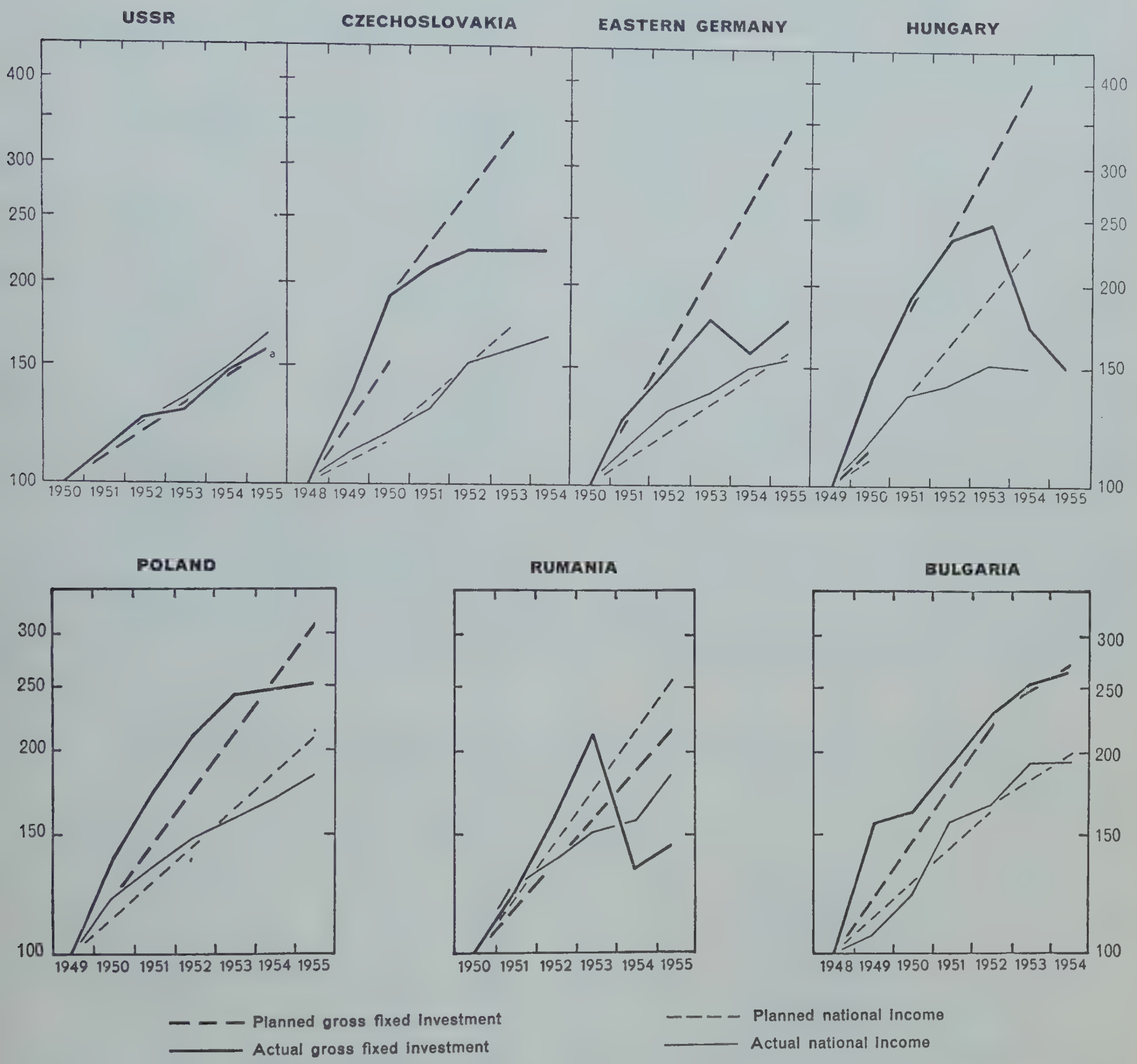
[30] *Rabotnichesko Delo*, 15 September 1954.

CHART 13

Planned and actual national income and fixed investment in the Soviet Union and eastern Europe

The year preceding the last completed long term plan = 100

Semi-logarithmic scale



a Both income and investment were planned to increase at the same rate.

factory before the recent growth of towns, has even deteriorated in some countries. The inadequacy of the efforts in this field contrasts in some countries with the generous allocation of funds to increases in social capital—schools, hospitals and the like.[31] In spite of the cuts in programmes made in the years 1951 to 1953, considerable sums continued to be spent,[32] amounting to over one-fifth of total investment in Hungary and Poland.

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[31] See SURVEY for 1954, Table 31, p. 55.

[32] A break-down of social investment in Hungary is given in Table 124 at the end of this chapter.

Year to year changes in the volume of investment

The period 1951 to 1955, however, falls into two more or less equal halves with very different characteristics. Until about mid-1953 every effort was made to maintain at least the planned rate of increase of investment, even at the expense of infringing the Fundamental Economic Law of Socialism by cutting personal consumption. And as Chart 13 shows, though the rate of increase fell well below the requirements of the plans in eastern Germany, Czechoslovakia and Hungary, the three countries with the most ambitious targets, it was even in excess of the planned rate in Poland, Rumania and Bulgaria, the countries with the most modest targets.

Then, in the second half of 1953 there was everywhere some relaxation of efforts, which shows itself in the totals of investment in Chart 13 (which takes the calendar year as unit) only in 1954. Fixed investment rose only slightly in that year in Poland and Albania, remained constant in Czechoslovakia and Bulgaria, fell considerably in eastern Germany and dramatically in Hungary and apparently also in Rumania.[33] Finally, in 1955, though there were rises

TABLE 109

Share of national income devoted to accumulation and to fixed investment in eastern Europe

Percentages

	1948	1949	1950	1951	1952	1953	1954	1955
Czechoslovakia								
Accumulation . .	18	24	22	25	30	26	..	..
Fixed investment .	*19*	20	26	26	24	*24*	23	..
Eastern Germany								
Accumulation . .			9	11	11½	12	11	12
Fixed investment .			*8*	9	9	10	8	*9*
Hungary								
Accumulation . .		..	21	30	26	25	17	..
Fixed investment .		*18*	22	25	30	29	*21*	..
Poland								
Accumulation . .		..	27	28	27	25	21	..
Fixed investment .		*20*	23	26	30	31	30	*28*
Rumania								
Accumulation . .			..	..	..	32	..	..
Fixed investment .			*20*	19	25	29	17	*16*

Sources : Tables 119 to 127; *Társadalmi Szemle*, No. 1, 1954, p. 41; *Trybuna Ludu*, 6 November 1954; plans and plan fulfilment reports.

NOTE. — The first line of figures for each country shows share of accumulation (sometimes net investment and sometimes new investment, but in both cases including changes in stocks) in national income, both measured in terms of *current* prices. The second line shows the ratio of gross fixed investment measured at constant plan prices, to national income, also measured at plan prices.

The figures italicized are the investment ratios in the year before the plans and in the last year of the plans.

TABLE 110 — Annual rates of growth of gross industrial production in eastern Europe

Percentages

		1950	1951	1952	1953	1954	1955	1956 Plan
Soviet Union . . .	Producer goods	..[a]	16	11	12	13	15	11
	Consumer goods	..[a]	16	11	12	13	9	10
Bulgaria	Producer goods	21	23	25	23	16	..	..
	Consumer goods	23	18	10	4	3	6[b]	..
Czechoslovakia . .	Producer goods	16	23	27	5	4	9[b]	10
	Consumer goods	15	9	10	19	5	9[b]	7
Eastern Germany .	Heavy industry	25	20	18	14	10	9[c]	11[d]
	Light and food industries . . .	29	26	14	9	10	7[c]	5[d]
Hungary	Heavy industry	38	41	33	18	−6	7[c]	10
	Light and food industries . . .	39	25	16	4	9	9[c]	2½
Poland[e]	Producer goods	27	25	22	17	11	6[b]	7
	Consumer goods	25	18	12	19	11	11[b]	7
Rumania	Producer goods	43	30	27	17	4	16[c]	11[f]
	Consumer goods	32	28	18	11	11	10[c]	9[f]

Sources : Plan fulfilment reports and plans.

[a] The figures for this year are not comparable with those for later years, because of a change in the price weights used.

[b] Planned output.

[c] Provisional.

[d] Producer and consumer goods.

[e] Excluding small enterprises.

Average rates of the Second Five-year Plan.

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[33] The figures for investment in Rumania in 1954 and 1955 have been obtained by deducting figures of investment in the first three years of the plan derived from the annual plan fulfilment reports from the total of investment over the whole plan period announced at the Second Congress of the Rumanian Workers' Party in December 1955. The figures are believed to be consistent with one another, but it is not certain.

TABLE 111

Gross fixed investment by sectors in eastern Germany, Hungary, Poland and Bulgaria

	Percentage of total gross fixed investment [a]			Index numbers of volume [b] (1950=100)				
	1950	1953	1954	1951	1952	1953	1954	1955
Eastern Germany								
Heavy industry	34	44	41	167	211	233	189	. .
Light industry	8	6	10	100	100	150	200	. .
All industry	42	50	51	155	191	218	191	223
Agriculture	6	10	12	125	156	312	312	344
Transport	6	8	9	156	250	219	219	282
Housing	13	17	15	143	171	229	171	186
Other [c]	33	15	13	77	65	65	65	60
Total	100	100	100	127	150	177	158	177
Hungary								
Heavy industry	39	46	37	158	192	203	116	92 *
Light industry	3	3	5	133	133	200	200	. .
All industry	42	49	42	156	188	202	122	102 *
Agriculture	9	13	23	156	233	244	300	. .
Transport	19	11	7	100	133	100	44	44 *
Housing	5	6	9	120	140	200	220	. .
Other [c]	25	21	19	121	129	146	92	. .
Total	100	100	100	135	164	173	122	108 *
Poland								
Heavy industry	32	43	40	152	212	238	229	214
Light industry	8	9	5	100	169	194	113	81
All industry	40	52	45	142	204	230	206	188
Agriculture	9	8	11	117	133	161	217	300
Transport	14	11	11	132	139	143	143	143
Housing	7	10	12	186	214	264	321	329
Other [c]	30	19	21	90	94	110	124	133
Total	100	100	100	125	155	177	181	184
Bulgaria								
Heavy industry	33	35	33	139	138	167	173	. .
Light industry	4	5	5	173	167	223	215	. .
All industry	37	40	38	143	141	173	178	. .
Agriculture	9	14	17	220	207	242	307	. .
Housing	14	9	13	76	96	98	151	. .
Other [d]	40	37	32	100	146	149	137	. .
Total	100	100	100	123	143	159	169	183

Sources : Tables 115 to 125 at the end of this chapter.

[a] Percentages of gross fixed investment at constant prices.

[b] The price-weights used are: for eastern Germany 1950 prices, for Hungary the prices of 1 July 1949, for Poland the average prices of 1950 and for Bulgaria 1952 prices.

[c] Schools, hospitals, public buildings, etc., and trade.

[d] Including transport, as well as schools, hospitals, public buildings, etc., and trade.

in several countries, they were barely sufficient to restore the 1953 level of investment in eastern Germany and quite insufficient in Rumania, while investment in Hungary decreased still further, until it was only just above the level reached as long ago as 1950.

The share of national product in real terms which was devoted to investment thus showed a cyclical pattern, highly marked in Hungary and Rumania, but discernible, as Table 109 shows, in all the countries. The accumulation ratio, which takes account of changes in stocks as well and is measured in terms of current prices, fluctuated, if anything, even more. Superimposed on changes in the pattern of resource allocation there were changes in the relative prices of consumer goods and capital goods and changes in stocks: in several countries there were increases in producer-goods prices and additions to stocks in the early years of the plans, so that accumulation ratios were pushed up, and in the later years producer goods prices were stabilized, while consumer-goods prices were reduced and stocks of consumer goods were for some time run down.

It will be noticed that the timing of these variations was quite different from that of the contemporary fluctuations (of much smaller amplitude) in the rate of investment in the Soviet Union. The same discrepancy can be seen in the behaviour of output in the two sectors of industry. In the Soviet Union producer-goods and consumer-goods industries increased in step with one another from 1951 till 1955, when after the new interpretation of the Law of Planned Proportionate Development discussed in the previous chapter the output of producer goods forged ahead again. In eastern European countries other than eastern Germany the producer-goods industries kept in the lead throughout the period until 1953, as Table 110 shows; there was then, except in Bulgaria, a faster increase in consumer-goods production, which was still continuing in several countries in 1955.

For four countries (eastern Germany, Hungary, Poland and Bulgaria) it is possible to see the effect of the changes in policy on particular types of investment. It will be seen from Table 111 that Bulgaria was the only one of these countries where there was a more or less unbroken rise in investment in heavy industry. In the other three countries 1952 was the last year when investment in heavy industry which had been the key point of the plans, increased markedly. Already in 1953 there were considerable increases in investment in light industry in Hungary and eastern Germany, in housing in all three countries, in social investment in Poland and in agriculture in eastern Germany. In the two subsequent years in all three countries investment in heavy industry was actually cut back—by nearly 50 per cent in Hungary, where the reversal of policy was most complete. In Poland, somewhat surprisingly, investment in light industry was reduced to an even greater extent. Agricultural investment in 1955 has been upwards of three times as high as in 1950.[34]

The relationship between national income plans and investment plans

It is somewhat strange, on the face of it, that there should have been so little correlation between the degree of fulfilment of the long-term plans for investment in the various countries and of the national income plans.[35] Reference back to Table 105 will show that in Rumania, where over the years of the 1951-1955 plan 95 per cent of the planned amount was spent on investment, national income in the last year of the plan was 28 per cent short of the target in spite of an exceptionally good harvest. Similarly, in Poland total investment was more than the planned amount over the six years of the plan, but national income, again in a good harvest year, was 12 per cent less than had been intended. On the other hand, in Czechoslovakia national income was only about 5 per cent below the planned level in spite of a failure to spend 15 per cent of the sums intended to be appropriated for investment.

These discrepancies suggest that serious miscalculations of capital/output ratios were made when the plans were drafted. This is undoubtedly true, but it is only a part of the explanation.

In the first place, the output of consumer goods as a whole was limited by factors other than capacity. It was supplies of raw materials which determined short-term changes in the output of textiles and a wide range of consumer goods: capacity was not lacking. In agriculture the limiting factors were fertilizers, tools, building materials, and, perhaps most important of all, the efforts of private peasants, unable to invest their profits in the traditional form of land and unwilling to hoard cash. The output of consumer goods was thus not at all closely related to the scale of investment.[36]

Second, the investment projects forgone in those countries where investment was cut back tended to be the projects which would in any case not have borne fruit in increased output during the period of the plans themselves. Similarly, the concentration of effort in the last two years on finishing investment projects near completion actually raised national income above what it would otherwise have been—at the expense, of course, of the growth potential for the next planning period.

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[34] In Czechoslovakia, however, state investment in agriculture by grants and credits was in 1954 still only 43 per cent greater than in 1950 and accounted for only 6 per cent of total state investment.

[35] The degree of fulfilment of plans for investment, income and output in the various sectors of the economy are shown for each country in Tables 112 and 113 at the end of this chapter.

[36] In 1954 the eastern German authorities found it possible to realize a programme for the production of extra consumer goods to the value of nearly one billion DM (amounting to more than 2 per cent of industrial production) by using mainly waste materials.

Third, the substitution of defence goods (as in 1951 and 1952) or consumer goods (as in 1953 and 1954) for capital goods also impairs future possibilities of growth, but need not reduce the current national income significantly below what it would otherwise have been. The point can be put even more strongly: the allocation to consumer-goods industries of materials or foreign exchange which would otherwise have been used as an input in the production of capital goods may actually increase the national income, because of the indirect effects on effort and productivity. In a pure capitalist system the limiting factor on the expansion of output is at times the morale of entrepreneurs: if it can be raised the investment multiplier comes into operation. In an economic system in transition to socialism the raising of the morale of workers and peasants may sometimes bring a " consumption multiplier ", less powerful but not negligible, into operation. There can hardly be any doubt that this was the case in Czechoslovakia, eastern Germany and Hungary in 1953.[37] More generally, it would probably now be agreed in all eastern European countries that, if consumption had been allowed to increase in the years 1951 to 1953 faster than actually happened, more, rather than less, investment could have been accomplished during the long-term plans, and progress would have been more regular.

The reasons for the lack of correlation between " income performance " and investment performance are thus highly complex. They are due to a combination of miscalculations, both technical and psychological, at the time when the plans were drawn up, and of the measures taken subsequently to correct these miscalculations.

Technical miscalculations

The initial technical miscalculations were, however, serious. There is no room for doubt that the planners were misled by the rapid rates of growth achieved in industry, particularly heavy industry, and building in the years of the post-war reconstruction period, and underestimated the extent to which these had been made possible by the existence of under-employed labour and under-utilized capacity. These " reserves ", as they are called in eastern Europe, were still not exhausted in 1949 and 1950, and as a result the increases in output and investment actually achieved in those years in, for example, Czechoslovakia and Hungary, were, as Chart 13 shows, greatly in excess of what had been planned. The Governments of these countries were thus encouraged to push up their output and investment plans, the Bulgarian and Rumanian Governments to call for the fulfilment of their five-year plans in four years,[38] and the Polish Government to increase the share of accumulation beyond the requirements of regular growth under its plan—all this at a time when defence production was being expanded fast.[39]

By 1953 the " reserves " had disappeared in the more highly industrialized countries except in the consumer-goods industries and, as Table 110 shows, the rate of increase of industrial output had (except in the mainly agrarian Bulgaria) already slackened considerably in spite of increases in the number of industrial workers and the widespread adoption of shift-working. In particular, extra output of machinery from the engineering industries was possible only by expanding the input of such basic products as steel and power.

It was at this point that the second important miscalculation of the planners became apparent. It was the general experience that the investment requirements of the basic industries were under-estimated, if these industries were to develop at a rate compatible with the engineering output required and with the restricted import plans. Thus in Hungary the original plan called for the allotment of 2.5 billion forints at plan prices to the mining industries over the five years of the plan, out of a total of 17.5 billion for investment in heavy industry as a whole. This was raised to 4.8 billion out of 37.5 in the 1951 version of the plan. In fact, 5.8 billion were spent out of a total of 27.5.[40] Nevertheless, the increases in the production of coal and metalliferous ores were somewhat smaller than had been counted on (see Table 107). Similarly, in Rumania in the years 1951 to 1955 three times as much was invested in coal as had been intended,[41]

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[37] See SURVEY for 1954, pp. 48-51.

[38] This policy, announced by the Prime Minister of Rumania, Mr. Gheorghiu-Dej, in December 1952, was abandoned in Rumania after a few months.

[39] Mr. Hilary Minc, the Deputy Prime Minister of Poland, recently stated: " In the field of national defence, we have made a colossal effort, which cannot be measured only in terms of milliards spent on the army, industry, airfields, roads and railways. It is necessary to remember that a particular feature of the defence industry is that it requires the best materials and the best men. It was an immense effort and it is possible to say today that it was an efficient effort." (*Trybuna Ludu*, 1 January 1956.)

According to Mr. Zoltán Vas, a former chairman of the Hungarian Central Planning Board, the allocations of the national income assumed in the two versions of the Hungarian five-year plan were as follows (*Szabad Nép*, 27 October 1954):

	Plan published in 1949	*Plan published in 1951*
	(Percentages of national income)	
Investment	20	26
Consumption of state administration and institutions (including defence)	8	24-26
Personal consumption	72	<50

[40] See Table 122 at the end of this chapter.

[41] See Table 127 at the end of this chapter.

but the increase in coal output was only half what had been hoped for; some 20 per cent more than the planned amount was invested in building materials, but cement production increased by 40 per cent less than the plan called for. In almost all countries the shortage of coal resulted in plans for the expansion of cement output being badly under-fulfilled.

A third miscalculation in drawing up the " material balances " on which allocations of materials and capacity were based lay in the under-estimation of the period of production of new capacity. It will be seen that in Bulgaria and Rumania the ratio of completed investment projects to total investment was in most years considerably below the 80 per cent assumed in the Polish plan.

Completed investment projects as a percentage of gross fixed investment in Hungary, Rumania and Bulgaria

	1950	*1951*	*1952*	*1953*	*1954*	*1955*
Hungary [a]	84	80	78	80	106	125
Rumania	65	74	74	63	..	..
Bulgaria	86	104	72	57	79	..
Of which :						
Heavy industry .	69	130	56	42	84	..
Light industry . .	106	119	82	73	52	..
Total industry . .	73	129	59	46	80	..
Other sectors. . .	93	86	80	65	78	..

Source : Information received from the Hungarian Central Statistical Office and the Bulgarian Ministry of Foreign Affairs; furthermore, *Szabad Nép*, 16 November 1955, and *Probleme Economice*, No. 5, 1954, pp. 82 and 84.

[a] The value of investment projects completed excludes certain small items which are included in gross fixed investment (e.g., the initial expenditure on hand tools). In the four years 1950 to 1953 the value of industrial investment projects completed was 73 per cent of gross fixed investment in industry.

The construction of power stations consistently lagged behind the programme and, though the amount of power generated increased faster than installed capacity, the increase in several countries was well below what the plan required (see Table 107). Neither the Hungarian nor the Rumanian Government, indeed, succeeded in spending the sums allocated for power stations, because of the shortage of turbine-producing capacity, and in Rumania it is officially stated that several power stations, completed as far as the building work is concerned, can work only at half strength for lack of turbines. One Rumanian hydro-power station scheduled for completion by 1955 is now to be completed only by 1960. Similarly, the big projects in the steel industry in general took longer to mature than had been anticipated.

Purely financial obstacles to investment, of the type which operate in capitalist systems, did not impede new investment at all: on the contrary, it has been a constant complaint in some countries—notably in Czechoslovakia and Bulgaria in recent years—that government departments have not spent on new investment up to their authorized limits. Nevertheless, financial policy, or rather its lack, did influence both the composition of investment and its degree of effectiveness. As was mentioned in the last chapter, the responsibility for investment decisions until recently rested hardly at all with the managers of state enterprises: indeed, as long as there was no systematic correlation between efficiency and profitability it would have been unwise to devolve responsibility from the centre. This meant, however, that there was a constant tendency for small investment projects, the initiative for which can hardly come from a level higher than that of the individual enterprise, to be neglected and for an undue proportion of investment funds to be devoted to new projects and, given the natural preference of the project-makers in the ministries (mainly engineers) for balanced integrated plants, to big projects which could of their nature bear fruit only after a long delay. As a result, funds were locked up in slowly maturing projects while existing enterprises were starved of the money needed for maintenance,[42] and increasing efficiency in some enterprises coexisted with declining productivity in others.

The technicians' enthusiasm for the new and the big was further encouraged by the policy of keeping the wholesale plan prices of basic materials, and in particular building materials, artificially low, which resulted in the systematic understatement of building costs in terms of plan prices as compared with the costs of equipment. Investment decisions thus tended to be taken on the basis of misleading criteria. As a consequence not only were building plans sometimes unnecessarily extravagant [43] but too many new projects were started more or less simultaneously, with consequent delays all round. As in addition actual building costs rose beyond expectation in most countries, the share of building work in total investment was very large by normal standards and the share of machinery and vehicles correspondingly small.[44]

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[42] The official attitude in Czechoslovakia after the 1951 plan revision is apparent from the following statement in a technical journal of the building industry (*Stráž Severu*, 17 October 1951): " We are aware of the necessity of maintenance work, but we cannot admit that it shall be carried out to the detriment of the Five-year Plan." In eastern Germany as late as December 1955, the director of the big Ernst Thälmann engineering works at Magdeburg was complaining that his works " had the use of only a fraction of its current provision for amortization and that insufficient flexibility in the financing of urgently needed installations and repairs leads to considerable hold-ups of production ". He quotes as a typical case the breakdown of a travelling crane which led to the immobilization of production on 400 square metres of factory space, and explains that funds to repair it were over a period of months repeatedly refused by the ministry and in the end only made available after a workers' delegation had been sent to the State Planning Commission in Berlin. (*Neues Deutschland*, 2 December 1955).

[43] The same tended to happen in the Soviet Union as well, as can be judged from the recent strictures on those architects who designed ornate buildings with a wasteful use of space.

Share of machinery in total investment

Percentages

	Rumania	*Czechoslovakia*	*Poland*	*Eastern Germany*
1953	..	..	28	..
1954	..	28.5	..	40
1955	..	32.1	32	45
1951-1955 . .	40 [a]	..	..	..

Sources : *Munca*, 26 December 1955; *Rudé Právo*, 11 December 1955; *Nowe Drogi*, No. 2, 1955, p. 27; *Neues Deutschland*, 6 December 1955.

[a] The planned proportion was 60 per cent.

3. PRESENT INVESTMENT POLICIES IN EASTERN EUROPE

During the last two years the miscalculations made in drawing up plans and the defects in the machinery for programming and controlling them have been analysed with considerable candour by ministers and officials in the press of eastern Europe, and both the preliminary indications so far available of the five-year plans for the period 1956 to 1960 and the institutional reforms already made show that much will be different in future.

Thus, it is now the accepted view that too little attention was paid to the benefits of an intelligently directed international division of labour within the group of socialist and semi-socialist economies. There was undoubtedly some co-ordination of each eastern European country's long-term plan with the Soviet plan. But there was very little co-ordination of the eastern European plans themselves, and though trade expanded within the area of eastern Europe it was only to the extent permitted by the output plans of each country: these plans themselves were decided on without advance consultation, and few long-term trading agreements were concluded until later. This meant that there was unnecessary duplication of investment and that governments were not by any means fully informed about the plans of other countries.[45] It meant, too, that capacity was not fully utilized in some branches of industry in the more developed countries: eastern Germany in particular suffered from this. It is clear that the long-term plans for 1956-1960, which are still in process of elaboration, have been rather fully discussed between the technicians and planners of the various governments and that there has been a certain amount of give and take. The production plans of eastern Germany for 1956, which have been published at various stages of their elaboration, provide an interesting example of how international discussion has resulted in modification (though in the end only very slight modification) of national plans.

Planned volume of gross industrial production in eastern Germany, 1956

Provisional estimates of production in 1955 = 100

	Proposals by the ministries	*Targets suggested after discussion with other eastern European governments*	*Final Plans*
Heavy engineering	110.8	115.1	113.3
General engineering	113.3	114.1	114.1
Light industry	106.4	107.3	106.4
Building materials industries .	110.1	119.2	110.4

Sources : *Neues Deutschland*, 30 October and 6 December 1955.

In general, the information so far available on the 1956-1960 plans of Rumania and eastern Germany shows that there is to be more specialization on particular lines of production. Thus, Rumania is concentrating especially on expanding the production of chemicals obtained as by-products of the petroleum and natural gas industry and those based on salt. Eastern Germany, similarly, is increasingly recognized as the main supplier of heavy engineering equipment to eastern Europe as a whole.

It is now agreed, too, that foreign trade in general is of far greater economic importance to the eastern European countries than to the Soviet Union, and that an investment policy which gives only a secondary place to potential exporting industries is mistaken.

Although it is regarded as essential in the end to socialize agriculture and in the meantime to supply most agricultural machinery through state machine and tractor stations, it is recognized that private and co-operative investment will remain important for many years and that this can only be encouraged by more generous price policies, and not imposed. And it is considered necessary to leave an uncommitted margin of building materials, tools and the like for use by peasants.

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[44] The shares of building in investment in western European countries (lower than in eastern Europe) are given in the tables at the end of Chapter 2.

[45] An article in *Aussenhandel*, 14 September 1954, reveals that the eastern German foreign trade agencies learnt only on the occasion of a special technical exhibition in Sofia that there was no market in Bulgaria for the high tension electrical apparatus which they had been hoping to sell, and that indeed Bulgaria was already an exporter in this field. More generally, Mr. Ulbricht, the First Vice-Prime Minister, stated in a speech last year: " We do not know sufficiently exactly what kinds of machines are most wanted and in which countries [of the ' socialist camp '] and therefore on what sort of equipment we should concentrate more." (*Neues Deutschland*, 10 June 1955.)

Finally, as in the Soviet Union, the emphasis of industrial investment programmes has recently changed in several respects. In the last few years more has been spent on the current maintenance of existing plant. The replacement of spare parts is financed mainly out of a part of the amortization fund, which, as was explained in Chapter 7, is intended to provide for capital repairs to equipment as well as the replacement of equipment. In several countries, however, quite inadequate funds were until recently provided for such " capital repairs ". In Rumania, for example, roughly the same length of life was assumed for each type of asset as in the Soviet Union,[46] but far less was provided for repairs during that life. The reform of the amortization rules in 1954 doubled the funds available for capital repairs in state industry and, of course, by the same token increased the current charge on enterprises.

Provision for capital repairs in the Soviet Union and Rumania

	Provision for capital repairs over the assumed life of the asset as a percentage of its original cost		
	Soviet Union	*Rumania*	
		1950-1954	*Since 1954*
The economy as a whole	..	55	85
State industry:			
Total	..	35	70
Heavy industry	77	13-32	..
Light industry	187	25-65	..
Food industry	84	23-40	..
Forestry and forest products	100	100	..
Engineering	67	28-33	..

Source : I. Iţicovici, " Towards the Correct Application of the New Amortization System ", *Probleme Economice*, No. 4, 1954.

In Hungary, figures of actual expenditure on capital repairs are available, which show a rapid increase in recent years:

Percentages of the sum of gross investment and capital repairs [a] in 1950

	1950	1951	1952	1953	1954	1955	1956 *(Plan)*
Gross investment	90	121	148	155	109	97	118
Capital repairs	10	13	21	33	30	34	49

Sources : Information communicated by the Hungarian Central Statistical Office; *Szabad Nép*, 17 November 1955, and 22 January and 10 February 1956.

[a] This sum corresponds approximately to gross fixed investment as defined in the Scandinavian countries.

There has recently been less dispersion of investment expenditure and, as a result, an increase in the ratio of the value of investment projects completed to the total sums spent on investment. In Hungary, completions actually exceeded total investment in 1954 and 1955. And throughout eastern Europe in 1955 the increments of installed capacity in the electric power industries have exceeded in value the new work started. In Poland it was decided to abandon the construction of one projected large steel mill and to postpone work on the Warszawa high quality steel mill until the 1956-1960 plan period. Instead, efforts were concentrated to bring about the early completion of the Nowa Huta steel combine.

It is intended to devote a larger proportion of future investment funds to the modernization of existing plants and less to the building of new plants. In the past, as in the Soviet Union, the bulk of investment had been in new plants. During the period of the Polish Six-year Plan, for example, 70 per cent of the total amount of investment in the cotton industry was devoted to new building, 25 per cent to the extension and adaptation of buildings and only 5 per cent to the replacement of old machinery.[47] These proportions are by no means untypical.[48]

The main accent of the new Polish plan, however, is to be on investment in equipment in existing factories.[49] In Rumania over the same period only 30 per cent of industrial investment is to be in new factories and no new engineering factories are to be built. In Czechoslovakia, fixed investment in the five years 1956-1960 is planned to be 75 per cent greater than in 1948-1953, and the output of the building and construction industries only 50 per cent greater. As a result of the policy of new construction pursued in the first long-term plans, divergencies between the productivity of different enterprises in the same industry have become very great. It is now intended to reduce these differences by selective modernization in previously neglected sectors.

In these respects current investment policies are very similar to those announced in the Soviet Sixth Five-year Plan and foreshadowed in Marshal Bulganin's speech of July 1955. This speech indeed found a very ready audience in eastern Europe, particularly among technicians and managers, largely, no doubt, because the defects of organization and the unbalance of investment programmes to which he drew attention in the Soviet Union were even more urgent problems in at least the more industrialized of the countries of eastern Europe. The concentration of investment on big projects and the neglect of current maintenance had probably been more extreme. This was so not only because even a few big projects loom larger in small countries than in big countries, but also because the irrational nature of the wholesale price structure for producer goods—with the lack of any correlation between efficiency and profitability—had made it necessary for investment decisions to be more centralized than in the Soviet Union.[50] As a consequence, managers had had little stimulus to scrutinize their costs and to improve their techniques, and slight opportunity to try out new ideas. Lack of responsibility bred cynicism and inefficiency.

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[46] The average for state industry as a whole is 32 years.

[47] See *Trybuna Ludu*, 8 December 1955.

[48] The Prime Minister of Czechoslovakia, Mr. Wiliam Siroky, commented as follows on the attitude to modernization prevailing until recently:

" Many of our people mean by the introduction of new techniques construction of new plants in the first place. They do not perceive the importance of reconstruction and modernization of inefficient plants. But we must always analyse very carefully which is better, more efficient and less costly: the construction of new plants or a technical reconstruction of already existing plants." (*Rudé Pravo*, 11 December 1955).

[49] See speech by Mr. Hilary Minc, the Deputy Prime Minister, in *Trybuna Ludu*, 14 December 1955.

But such inefficiency was far more serious for countries such as Czechoslovakia and eastern Germany than for the Soviet Union. In the first place, the supply of manpower, other things being equal, sets narrow limits to the possible increases in total industrial production in these countries. Second, so much of their industry is geared to export markets that inefficiency in industry adversely affects the whole economy through its effects on the terms of trade. It is natural, therefore, that the planners in these countries should wish to pay closer attention to costs than hitherto, and should carry out the reforms of the price structure and methods of remuneration which would permit them to do so. It is recognized that the logical corollary of these price-reforms is a greater reliance on financial control as against purely physical controls and that unless governments are prepared to give increased powers, as well as duties, to managers of enterprises the desired change of emphasis in investment policy is unlikely to be successful.[51]

In the meantime, great hopes are being placed on the beneficial effects on productivity of the new line. In the new Czechoslovak five-year plan, in particular, it is expected to achieve four-fifths of the target increase of 50 per cent in industrial production by means of increased productivity, and in engineering it is hoped to increase productivity by as much as 80 per cent in five years.

* * *

The present stage of investment policy can thus be summed up as follows. It is intended to increase investment faster than national income during the next five years. In contrast to the past, even in the least developed countries a greater proportion of investment is to be of the labour-saving, as distinct from the employment-creating, kind. The decision to increase the accumulation ratio inevitably means increasing real wages less fast than industrial productivity, and indeed less fast than in 1953 and 1954. But present-day targets are far more realistic than those of the past five-year plans. The Bulgarian Government had already shown a somewhat lower target rate of growth for national income in its second five-year plan, to cover the years 1953-1957—10 per cent per annum, as in the Soviet Union. The Rumanian Government has now adopted the same target rate for its 1956-1960 plan and the Czechoslovak Government a target rate of increase of national income of about 8 per cent per annum.

There is a greater awareness of the limitations of a purely national approach to planning in comparatively small countries. But the problems of foreign trade with other planned economies (including the whole question of the appropriate terms of trade) and of international transfers of capital within the area of eastern Europe as a whole are still unresolved. It is still taken for granted that each country must develop its production on a wide front and that the preference given to heavy industry in the earlier Soviet plans must be maintained in every eastern European country. The scope left for intra-regional co-operation is thus still limited. As it was recently put in a Hungarian newspaper:[52] "... international division of labour cannot be a substitute for the independent economic development of a country".

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[50] See Chapter 7, Section 4.

[51] " In order to introduce new techniques, however, a fundamental change is necessary in investment policy. It is economically absurd to withhold investment funds from our enterprises that permit the introduction of new techniques." (From a paper by a leading designer of machine tools, Moritz Schöbel, published in *Neues Deutschland* of 26 June 1955.)

[52] *Szabad Nép*, 31 July 1955. The author is answering in the negative his own rhetorical questions: " Is it possible to suggest to a people's democracy, which has more favourable conditions of raw material production, to develop only their heavy industry, while we develop only light industry and agriculture? It is known that the development of heavy industry is much more costly than that of light industry. Can we demand of a friendly country to have a substantial part of their national income invested in coal mining, metal production and other branches of heavy industry, and to leave us to develop only the cheap branches of the national economy? "

Estimates of national income and investment in

TABLE 112

Five- or six-year totals of planned and actual gross fixed investment in eastern Europe

	Czechoslovakia (Billions of pre-1953 kčs at 1 January 1948 prices)			Eastern Germany (Billions of DM at 1950 prices)			Hungary (Billions of forints at 1 July 1949 prices)		
	Plan published in 1948	Plan published in 1951	Actual	Plan published in 1950	Plan published in 1951	Actual	Plan published in 1949	Plan published in 1951	Actual
	1949 to 1953			1951 to 1955			1950 to 1954		
Heavy industry	106.5	185	128	..	..	9.3 *	18.3	40.5	29.2
Light industry	30.0	..	18	..	..	1.4 *	3.0	3.5	2.3
All industry	136.5	..	146	14.1	15.4	10.7	21.3	44.0	31.5
Agriculture	26.8	..	38	1.4	1.8	1.9 [a]	8.0	11.0	9.3
Transport and communications	52.9 [b]	..	66	2.0	2.7	1.8 [c]	7.5	10.0	8.6
Trade	5.0	..	6	0.3	0.5	0.3	0.9	1.0	1.7
Housing	39.3	..	32	5.1	4.3	3.5 [a]	5.1 [d]	6.5 [d]	5.9 [d]
Schools, hospitals, public buildings, etc.	75.7 [b]	..	40	1.6 [e]	2.4	0.9 [e]	2.3	4.1	4.0
Other	..	..	10	2.4	1.5	1.3 [a]	5.8	8.4 [f]	6.4
TOTAL	336.2	400	338	26.9	28.6 [g]	20.4	50.9	85.0 [h]	67.4

	Poland (Billions of zlotys at 1950 prices)		Rumania (Billions of pre-reform lei at 1950 prices)		Bulgaria (Billions of pre-1952 leva at 1948 prices)		Albania (Billions of leks at 1950 prices)	
	Plan published in 1950	Actual	Plan published in 1950	Actual	Plan published in 1948	Actual	Plan published in 1950	Actual [i]
	1950 to 1955		1951 to 1955		1949 to 1953		1951 to 1955	
Heavy industry	..	74.5	586	695	140	165	..	..
Light industry	..	12.1	124	93	30	25	..	..
All industry	83.4	86.6	710	788	170	190	8.9	9.5
Agriculture	21.9	18.5	133	131	74	60	2.8	2.9
Transport and communications	27.4	22.4	215	141	103	70	3.0	2.1
Trade	7.7	6.9	29	32	3	.. [j]	.. [j]	.. [j]
Housing	43.3	19.8	43	48	19	40	2.1	1.7
Schools, hospitals, public buildings, etc.		16.6	163	120	22		1.4 [e]	3.1 [j]
Other	—	(17.5) [k]	37 [l]		34	40 [j]	2.7 [j]	
TOTAL	183.7	170.8	1 330	1 260	425	400 [m]	20.9	19.1

Sources : See Appendix C.

NOTE. — Building and construction industry is included in the industrial total with heavy industry.

[a] The sums here given are comparable with the plans and differ from those in Table 120 in the following cases: agriculture here excludes co-operative investments (0.2 billion DM); housing here includes an estimate for streets, water pipes, sewerage, etc. (0.45 billion DM); and correspondingly there is a difference in the unallocated items.

[b] Roads, bridges and other public works are included under " schools, hospitals, public buildings, etc.".

[c] Excluding telecommunications.

[d] Including expenditure on town and village development.

[e] Only health and cultural investments (administrative buildings are included in " other " investment).

[f] Of which 5 billion was a reserve for contingencies.

[g] In 1953 the plan was revised downwards to 23.1 billion DM at current prices.

[h] In 1953 the plan was revised downwards to 69.6 billion forints at 1 July 1949 prices.

[i] It is not made clear in the source from which these figures are derived whether they are at 1950 prices or at current prices (see Appendix B).

[j] Trade is included in " other ".

[k] Private (unplanned) investment, not included in the total.

Scientific research and geological surveying.

[m] Excluding private investment outside the plan, which amounted to 50 billion leva.

TABLE 113

Index numbers of planned and actual changes of national income, gross production and consumption during the long-term plans

	Poland		Eastern Germany			Rumania	
	1955		1955			1955	
	Plan	Actual [a]	Plan published in 1950	Plan published in 1951	Actual	Plan	Actual [a]
	1949=100		*1950=100*			*1950=100*	
National income at plan prices	212	186	160	160	162	260[b]	187
Value at plan prices of gross output of:							
Heavy industry	254	279	185[c]	205	196[a]	..	231[d]
Light and food industries	211	234	191[c]	176	184[a]	..	197[d]
All industry	236	267	188[c]	193	191	244	216
Building	380	..	..	248	169	..	218
Agriculture	150	120	..	157	144	254[b]	150

	Hungary			Czechoslovakia			Bulgaria	
	1954			1953			1953	1952
	Plan (1949)	Plan (1951)	Actual	Plan (1948)	Plan (1951)	Actual	Plan	Actual
	1949=100			*1948=100*			*1948=100*	
National income at plan prices	163	230	150	148	170	159	185	167
Value at plan prices of gross output of:								
Heavy industry	204	380	288	166	233	219	223	250
Light and food industries	173	245	227	150	173	180	175[e]	200
All industry	186	310	258	157	198	202	192	230
Building	231	438	269	230	278	230	..	..
Agriculture	142	154	112	137	153	114	137	108

Sources: See Appendix C.

[a] Provisional estimates.

[b] The plan document published a national income target in absolute figures which implied an index of 220 per cent of the income planned for 1950; the corresponding index for agriculture was 188 per cent of the expected output of 1950 (which in fact turned out to be a very bad harvest year).

[c] The index numbers were originally published with 1950 planned output as base (viz., 200 for heavy industry, 179 for light industry and 190 for all industry).

[d] Producer goods and consumer goods, respectively

[e] Excluding timber production and fishing industry

TABLE 114

National income and fixed investment in Albania

Billions of leks

	1949	1950	1951	1952	1953	1954	1955
At 1947 prices							
National income [a]	..	9.2	9.0 *	9.9 *	12.8 *	13.5 *	..
At 1950 prices							
Gross fixed investment	1.1	2.1	2.7	3.5	3.8	4.0	4.4
Of which :							
Industry	..	0.5	1.3	1.9	2.2	1.9	2.2
Agriculture	..	0.3*	0.4	0.5	0.7	0.9	1.0
Housing	..	0.1	0.2	0.3	0.3	0.4	0.5
Other	..	1.2*	0.8	0.8	0.6	0.8	0.7
Provision for depreciation	..	..	0.2	0.4	..	0.4	..

Sources : See Appendix C.

[a] It is not known whether national income is calculated after deduction of fixed capital retired from use, after deduction of current provision for depreciation, or before either of these deductions.

TABLE 115

National income and fixed investment in Bulgaria

Billions of leva

	1948	1949	1950	1951	1952	1953	1954
At 1948 prices							
National income[a]	240	..	..	..	400	464	..
Gross fixed investment	45	70	73	87	103	115	120
At 1939 prices							
National income[a b]	51.5	52.3	60.0	78.0	78.7	91.3	..
At current prices							
National income[a]	240	243	306	490	21.5	18.7	20.0 *
plus : Provision for depreciation	8	15	19	28	1.2	1.4	1.7 *
Gross national product	248	258	325	518	22.7	20.1	21.7
Gross fixed investment	45	67	70	108	5.0	5.6	5.9
of which :							
State investment financed by							
Budget grants	32	45	44	68	3.18	3.57	3.20
Provision for depreciation[c]	8	15	19	28[d]	1.22	1.43	1.70
Total	40	60	63	96	4.40	5.0	4.90
Other investment	5 *	7 *	7 *	12	0.6	0.6	1.0
Net fixed investment	37	52	51	81	3.8	4.2	4.2
Derived index of investment prices[e] (1948 = 100)	100	95	96	124	122	122	122

Sources : See Appendix C.

[a] Believed to be reckoned after deduction of current provision for depreciation and not only of actual retirements of fixed capital.

[b] A sector break-down is available for two years in terms of 1939 prices:

	1948	*1952*
Net output of:		
Agriculture	26.8	27.0
Industry (including handicrafts)	16.4	37.2
Building and construction	2.4	
Transport	1.3	4.6
Trade	4.6	9.9

[c] Planned amortization not earmarked for general repairs.

[d] Of which 17 billion was channelled through the budget.

[e] After adjustment for the change of monetary unit in 1952 (25 old leva = 1 new lev).

TABLE 116

Gross fixed investment in Bulgaria, 1949 to 1954

Millions of post-reform leva at 1952 prices

	1949 to 1954	1949	1950	1951	1952	1953	1954
Gross fixed investment [a]	27 948	3 491	3 521	4 339	5 022	5 605	5 970
Of which:							
Heavy industry	9 269	931	1 162	1 616	1 603	1 943	2 014
Light industry	1 462	257	137	238	230	306	294
Total industry	10 731	1 188	1 299	1 854	1 833	2 249	2 308
Agriculture	3 927	465	322	707	667	778	988
Housing	3 089	467	503	383	481	495	760
Schools and other cultural establishments	658	81	97	103	88	138	151
Health and social establishments	331	62	49	54	54	51	61
Other	9 212	1 228	1 251	1 238	1 899	1 894	1 702

Source: Information communicated to the secretariat by the Government of Bulgaria.

[a] Including unplanned investment.

TABLE 117

Planned and actual gross fixed investment in Bulgaria

Billions of post-reform leva at 1952 prices

	Plan published in 1948 [a]	Actual	Plan published in 1952	Actual
	1949 to 1953	1949 to 1952	1953 to 1957	1953 to 1954
Gross fixed investment	*20.7*	16.4 [b]	32.8	11.8
Of which:				
Heavy industry	*6.8*	5.3	10.2	3.9
Light industry	*1.5*	0.9	2.2	0.6
Total industry	*8.3*	6.2	12.4	4.5
Agriculture	*3.6*	2.2	5.6	1.7
Housing	*0.9*	1.8	6.7	1.3
Schools and other cultural establishments	*1.1*	0.4	1.7	0.3
Health and social establishments		0.2		0.1
Other [c]	*6.8*	5.6	6.4	3.9

Sources: Five-year plan laws of 1948 and 1952, and information communicated to the secretariat by the Government of Bulgaria.

[a] The plan was published in terms of 1948 prices. The figures have been adjusted to a 1952 price base by using a single index of investment prices for all sectors. The details by sector can thus be regarded only as rough indications of magnitude.

[b] Including unplanned investment to the amount of 2.0 billion leva.

[c] Including transport.

TABLE 118

Additions to capital stock of completed investment projects in Bulgaria

Millions of post-reform leva at 1952 prices

	1949	1950	1951	1952	1953	1954
Total of investment projects completed	2 572	3 022	4 526	3 617	3 208	4 690
Of which :						
Heavy industry	387	807	2 105	889	812	1 696
Light industry	114	145	283	188	224	153
Total industry	501	952	2 388	1 077	1 036	1 849
Other sectors	2 071	2 070	2 138	2 540	2 172	2 841

Source : Information communicated to the secretariat by the Government of Bulgaria.

TABLE 119

National income and fixed investment in Czechoslovakia

Billions of kčs

	1948	1949	1950	1951	1952	1953	1954
At prices of January 1948							
Net output [a] of							
Agriculture	55	49	48	44	45	44	..
Industry [b]	118	134	155	179	221	235	..
Building and construction	10	13	16	19	22	27	..
Other branches of material production	27	39	31	33	32	29	..
National income [a]	210	235	250	275	320	335	350
Gross fixed investment	..	46	65	72	78	78	78
of which :							
Agriculture [c]	..	2.2	2.8	3.2	3.5	3.7	4.0
At current prices							
National income [a]	210	..	351	..	..	134	..
of which :							
Accumulation [d]	38	..	78	..	..	34	..
Consumption	172	..	273	..	..	100	..
Gross fixed investment	..	62 [e]	92 [e]	105 [e]	113 [e]	22.5 [e]	22.5
of which :							
State investment	34.5	50.5	71	91	103	19.8	20
Other investment	..	11.5 [e]	21 [e]	14 [e]	10 [e]	2.7 [e]	2.5
Derived index of investment prices [f] (1 January 1948 = 100)	..	135	141	145	145	145	145

Sources : See Appendix C.

[a] Believed to be reckoned after deduction of current provision for depreciation and not only of actual retirements of fixed capital.

[b] Excluding the output of handicrafts.

[c] Investment from state budgetary appropriations and credits (excluding investment by co-operatives and private farmers out of their own resources).

[d] Believed to exclude investment outside the state sector, whether in fixed capital or in stocks.

[e] Including reconstruction and capital repairs estimated to amount to 16 billion pre-reform kčs in an unknown distribution by years.

[f] After adjustment for change of monetary unit in 1953 (5 old kčs = 1 new kčs).

TABLE 120

National income and fixed investment in eastern Germany

Billions of DM

	1949 [a]	1950	1951	1952	1953	1954	1955
At 1950 prices							
National income [b]	28.7 [c]	32.4	37.4	42.2	44.3	48.5	51 *
Gross fixed investment	1.5	2.6	3.3	3.9	4.6	4.1	4.6
of which :							
Heavy industry [d]	0.5	0.9	1.5	1.9	2.1	1.7	..
Light industry	0.1	0.2	0.2	0.2	0.3	0.4	..
All industry [d]	0.6	1.1	1.7	2.1	2.4	2.1	2.45
Agriculture	0.16	0.16	0.20	0.25	0.5	0.5	0.55
Transport [e]	0.15	0.16	0.25	0.4	0.35	0.35	0.45
Trade	..	0.02	0.05	0.05	0.05	0.05	0.1
Housing (including settlers' programme)	0.2	0.35	0.50	0.6	0.8	0.60	0.65
Schools, hospitals, etc. [f]	..	0.13	0.2	0.15	0.2	0.2	0.15
Other [g]	0.4 [h]	0.7	0.4	0.35	0.3	0.3	0.25
At current prices							
National income [b]	28.7 [c]	32.4	37.6	41.7	44.0	47	50 *
of which :							
Accumulation	..	3.0 *	4.1	4.8	5.3	5 *	6 *
Government consumption	..	9.5 *	9.7	9.7	8.7	9 *	9.5 *
Personal consumption	..	19.9	23.8	27.2	30.2	33 *	34.5 *
Gross fixed investment	1.5	2.55	3.30	4.33	5.4	4.9	5.45
of which :							
State investment	1.35	2.05	2.90	3.98	5.00	4.64	5.15
of which :							
Industry	0.6	1.08	1.65	2.27	2.69	2.35	2.65
Agriculture	0.16	0.16	0.20	0.28	0.57	0.55	0.58
Transport [e]	0.15	0.16	0.27	0.43	0.42	0.42	0.54
Trade	..	0.02	0.05	0.04	0.06	0.05	0.12
Housing	..	0.16	0.25	0.41	0.75	0.73	0.78
Schools and other cultural establishments	..	0.09	0.12	0.12	0.12	0.15	0.11
Other non-industrial	..	0.33	0.29	0.37	0.29	0.29	0.27
Private investment	..	0.5	0.4	0.35	0.4	0.3	0.3
of which :							
Housing (including settlers' programme)	0.15 *	..	0.3 *	0.3 *	0.3 *	0.1 *	0.15 *
Agriculture (including co-operatives)	..	..	—	..	0.03 *	0.1 *	0.1 *
Other [g]	..	..	0.1 *	0.05 *	0.06 *	0.1 *	0.05 *
Net fixed investment [i]	1.1	2.1	2.8	3.4	..	..	..
Derived index of investment prices (1950 = 100)	100	100	100	115	117	121	..

Sources : See Appendix C.

[a] Excluding east Berlin, unless otherwise stated.

[b] After deduction of current provision for depreciation of fixed capital.

[c] Including the income of east Berlin, estimated to be 3.2.

[d] Including building and construction industry.

[e] Excluding telecommunications.

Including Academy of Sciences, theatres, cinemas, broadcasting, cultural clubs, dispensaries and other medical institutions, but excluding administrative and public buildings.

[g] Including private industry.

[h] Including trade.

[i] After allowance for depreciation in the state sector only.

Table 121

National income and fixed investment in Hungary

Billions of forints

	1949	1950	1951	1952	1953	1954	1955
At prices of 1 July 1949							
Net output [a] of:							
Agriculture	7.8	8.3	9.4	6.6	8.7	8.2	..
Mining and manufacturing [b]	17.5	21.7	26.8	32.0	32.8	33.7	..
Building and construction	1.5	2.1	3.1	3.6	3.7	3.1	..
Other branches of material production	11.2	11.9	12.7	11.8	12.8	12.5	..
National income [a]	38	44	52	54	58	57.5	..
plus Provision for depreciation	2.5 [c]	2.8	2.8	2.6	2.0	3.0	..
Gross national product	40.5	47	55	56.5	60	60.5	..
Gross fixed investment	6.8	9.7	13.1	16.0	16.8	11.8	10.5 *
of which:							
Heavy industry	2.3	3.8	6.0	7.3	7.7	4.4	3.5
Light industry	0.3	0.3	0.4	0.4	0.6	0.6	..
All industry	2.6	4.1	6.4	7.7	8.3	5.0	4.2 *
Agriculture	1.2	0.9	1.4	2.1	2.2	2.7	2.4
Transport	1.4	1.8	1.8	2.4	1.8	0.8	0.8
Trade	..	0.3	0.3	0.3	0.4	0.4	..
Housing	0.7	0.5	0.6	0.7	1.0	1.1	2.2
Schools, hospitals, public buildings, etc.	0.9	0.7	0.9	1.0	2.0	1.5	
Other		1.4	1.7	1.8	1.1	0.3	..
Net fixed investment	4.3	6.9	10.3	13.4	14.8	8.8	..
At current prices							
Gross fixed investment	5.9	9.5	12.5	15.0	16.3	11.8	10.5 *
of which:							
State investment financed by:							
Budget grants	..	6.2	8.9	..	13.7	8.0	..
Provision for depreciation [d]	..	2.8	2.8	2.6	2.0	3.0	..
Total	4.3	9.0	11.7	..	15.7	11.0	..
Other investment	1.56	0.5	0.8	..	0.6	0.8 [e]	..
Net fixed investment	3.7 [f]	6.7	9.7	12.4	14.3	8.8	..
Derived index of investment prices (1 July 1949 = 100)	87	98	95	94	97	100	

Sources: See Appendix C.

[a] After deduction of current provision for depreciation of fixed capital.

[b] Excluding the output of handicrafts.

[c] Estimate based on the relation in 1950 between amortization and national income.

[d] Depreciation quotas not spent on general repairs.

[e] Estimated amount of credits to agricultural co-operatives and private (family house) builders.

[f] Calculated by deducting an estimated depreciation at current prices to the amount of 2.2 billion forints.

TABLE 122

Planned and actual gross fixed investment in industry in Hungary

Millions of forints at prices of 1 July 1949

	Plan published in 1949	Plan published in 1951	Actual					
	1950-1954			1950	1951	1952	1953	1954
Heavy industry [a]	17 512	37 500 [b]	27 452	3 349	5 500	6 911	7 359	4 333
of which:								
Mining	2 465	4 800	5 831	583	913	1 373	1 681	1 281
Metal manufacture	3 998	7 130	5 608	371	944	1 677	1 890	726
Electric power	3 285	5 470	4 311	524	767	1 063	1 061	896
Building materials	618	2 716	1 831	229	380	520	493	209
Chemicals	1 996	4 080	3 601	474	941	897	742	547
General engineering	4 214	4 480	3 045	668	651	568	812	346
Electrical machinery production	936	2 520	447	85	120	119	86	37
Electrical instruments production			296	28	85	54	77	52
Precision mechanics			412	132	81	56	97	46
Hardware production			1 743	227	591	548	275	102
Transport repair shops	.. [c]	.. [c]	327	28	27	36	145	91
Light industry	1 552	..	1 212	143	233	290	264	282
of which:								
Wood-working industries	78	103	136	11	11	13	29	72
Paper producing and printing	165	287	128	15	15	31	32	35
Textiles	1 051	..	693	84	150	211	136	112
Leather, fur, clothing and miscellaneous light industries	258	262	255	33	57	35	67	63
Food industry	1 383	..	1 091	189	184	141	276	301
Building and construction industry	864	3 023	1 800	400	500	400	400	100

Sources: Five-year plan laws of 1949 and 1951, and information transmitted by the Hungarian Central Statistical Office.

[a] Excluding investment in the building and construction industry itself, which was not shown separately in Tables 2 and 4 of the article on " The Economy of Hungary 1950 to 1954 ", *Economic Bulletin for Europe*, Vol. 7, No. 2.

[b] Including a reserve for contingencies of 6,304 million forints.

[c] Together with general engineering.

TABLE 123

Planned and actual gross fixed investment in agriculture in Hungary

Millions of forints at prices of 1 July 1949

	Plan published in 1949	Plan published in 1951	Actual					
	1950-1954			1950	1951	1952	1953	1954
Farm mechanization	4 000	3 500	2 294	506	418	368	372	630
Plant production and irrigation	4 000	2 000	2 503	117	310	586	697	793
Forestry		1 500	1 122	111	196	207	282	326
Livestock breeding		4 000	3 343	216	462	875	869	921
Total	8 000	11 000	9 262	950	1 386	2 036	2 220	2 670

Sources: Five-year plan laws of 1949 and 1951 and information transmitted by the Hungarian Central Statistical Office.

TABLE 124

Planned and actual gross fixed investment in social (non-productive) capital in Hungary

Millions of forints at prices of 1 July 1949

	Plan published in 1949	Plan published in 1951	Actual					
	1950-1954			1950	1951	1952	1953	1954
Housing	5 130	6 490	3 924	465	630	683	1 029	1 117
Town and village development			2 013	249	273	326	631	534
Educational and cultural establishments	1 190 [a]	2 600 [a] [b]	2 443	311	454	536	716	426
of which :								
Schools and universities	699 [a]	1 700 [a]	1 678	242	336	397	426	277
Other cultural institutions	124	657	520	39	81	98	198	104
Sports grounds, etc.	166	. .	245	30	38	40	93	44
Health establishments	804	1 138	843	99	102	119	238	285
Welfare institutions	276	350	657	41	43	50	288	235
Total	7 200 [a]	10 580 [a] [b]	9 880	1 165	1 502	1 714	2 902	2 597

Sources : Five-year plan laws of 1949 and 1951 and information transmitted by the Hungarian Central Statistical Office.

[a] Excluding scientific research institutes, which appear not to be included under this heading in the information on actual investments.

[b] Including an estimate for planned investment in sports grounds, etc.

TABLE 125

National income and fixed investment in Poland

Billions of zlotys at 1950 prices

	1949	1950	1951	1952	1953	1954	1955 [a]
Net output [b] of:							
Agriculture	29.5	32.8	31.0	30.1	32.8	34.3	35.6
Industry [c]	29.5	38.4	48.2	57.0	60.9	65.3	72.8
Building and construction	3.1	4.4	6.0	7.4	8.5	8.7	8.9
Transport	3.1	3.7	4.2	4.4	4.9	5.3	5.7
Trade	7.0	8.0	8.4	8.6	9.1	10.7	11.2
National income [b]	72.2	87.3	97.8	107.5	116.2	124.3	134.2
Gross fixed investment	14.8	20.4	25.6	31.7	36.1	36.9	37.6
Of which :							
Heavy industry [d]	3.9	6.5	9.9	13.8	15.5	14.9	13.9
Light industry	1.1	1.6	1.6	2.7	3.1	1.8	1.3
All industry	5.0	8.1	11.5	16.5	18.6	16.7	15.2
Agriculture	1.26	1.8	2.1	2.4	2.9	3.9	5.4
Transport	2.2	2.8	3.7	3.9	4.0	4.0	4.0
Trade	0.68	0.8	1.0	1.1	1.1	1.3	1.6
Housing	0.94	1.4	2.6	3.0	3.7	4.5	4.6
Schools, hospitals and public buildings	1.97	2.2	2.7	1.9	2.8	3.4	3.6
Investment outside the plan	2.8	3.3	2.0	2.9	3.0	3.1	3.2

Sources : See Appendix C.

[a] Provisional estimates.

[b] Believed to be after deduction of fixed capital retired from use.

[c] Including output of handicrafts.

[d] Including the building and construction industry.

TABLE 126

National income and fixed investment in Rumania

Billions of pre-reform lei

	1949	1950	1951	1952	1953	1954	1955
At prices of 31 December 1948							
Net output [a] of							
Agriculture	200	170	210	190	220	210	255
Industry [b]	175	230	285	345	375	400	445
Other branches of material production	60	60	85	95	105	120	160
National income [a]	435	460	580	630	700	730	860
At prices of 1950							
National income [a]	..	790 *	1 020 *	1 070 *	1 200	1 250 *	1 450 *
Gross fixed investment [c]	110	161	196	269	345	215	235
of which :							
Agriculture [c]	11	12	16	27	22	32	34

Sources : See Appendix C.

[a] Believed to be after deduction of fixed capital retired from use.

[b] Excluding handicrafts.

[c] State investment only.

TABLE 127

Planned and actual gross fixed investment in industry in Rumania

Billions of lei

	Pre-reform lei		Post-reform lei	
	1951 to 1955			1956 to 1960
	Plan	Actual		Plan
All industry	685 [a]	730 [a]	36.5 [a]	60.0 [a]
of which :				
Coal	19	54	2.7	4.8
Petroleum and natural gas	136	206	10.3	15.3
Electric power	144	96	4.8	6.6
Ferrous metals	83	74	3.7	7.2
Non-ferrous metals	34	44	2.2	3.9
Engineering	64	62	3.1	2.7
Chemicals, cellulose, paper	40	56	2.8	7.8
Building materials	30	38	1.9	2.7
Timber	22 [b]	28 [b]	1.4 [b]	2.4 [c]
Textiles, ready-made clothing and shoes	68	18	0.9	3.9 [b]
Other light industries	13	16	0.8	
Food industry	32	38	1.9	2.7

Sources : See Appendix C.

[a] Excluding investment in the building and construction industry itself. For 1951 to 1955 the plan for this industry was 26 and the actual investment 58 billion old or 2.9 billion new lei. The 1956-60 Plan is 2.7 billion lei.

[b] Including the furniture industry.

[c] Excluding the furniture industry.

TABLE 128

State fixed investment in the Soviet Union

Billions of roubles

	1950	1951	1952	1953	1954	1955	1956	
		Prices of 1 July 1950						Prices of 1 July 1955
At constant prices [a]								
Gross fixed investment by the State								
Plan	*110*	*132*	*143*	*156*	*169*	*182*	*200*	*161*
Actual	110	123	137	142	163	173	..	..
of which :								
Heavy industry	61	71	84	80	90	98	*121*	*97*
of which :								
Electric power	6	8	10	11	13	15	..	..
Coal	..	..	..	11	14	15	..	..
Light and food industries	6	6	7	8	14	13	*10*	*8*
of which :								
Manufactured consumer goods	..	2	3	3	6	..	..	..
Food industry	..	4	4	5	8	..	..	..
All industry	67	77	91	88	105	110	*131*	*104*
Agriculture	11	12	11	12	15	19	*26*	*21*
Transport and communications	15	15	16	18	19 [b]	21	*27*	*22*
Trade	1	1	1	1	2	22	*16*	
Other [c]	17	18	18	23	23			*14*
Housing (included above) [d]	13	16	17	19	26	*25*	*28*	*22*
At current prices								
Gross fixed investment by the State								
Plan	*110* [e]	*128*	*126*	*136*	*147*	*145*	*158*	
Actual	110 [e]	122	124	127	144	140 [f]	..	
Derived index of investment prices (July 1950 = 100)	100	99	91	89	88	80 [f]	79	

Sources : See Appendix C.

NOTE. — Fixed investment includes increases in the stocks and work in progress of building organizations. Plan figures are italicized.

[a] 1 July 1950 prices were used for building estimates and index numbers of the volume of construction from 1950 to 1955 inclusive; 1 July 1955 prices are to be used during 1956 to 1960.

[b] Railways—11.6 billion roubles; other transport and communications—7.0 billion roubles.

[c] Dwellings built by local authorities; schools, hospitals and other socia capital; administrative buildings other than for industry, agriculture, transport and trade.

[d] Dwellings built by local authorities are included in "other" investment: those built by state industrial, agricultural and transport enterprises are included in investment in industry, agriculture and transport.

[e] Prices of 1 July 1950.

Prices of 1 July 1955.

APPENDICES

Appendix A — **Note on investment and investment policies in Yugoslavia**

Appendix B — **Supplementary statistics**

Appendix C — **Notes on sources and methods**

Appendix A

NOTE ON INVESTMENT AND INVESTMENT POLICIES IN YUGOSLAVIA

Growth of investment and production

The basic objective of investment policy in Yugoslavia since the war has been—as in other underdeveloped countries—to break the vicious circle of a low per capita income and a low rate of capital formation. The fact that the population is increasing fairly rapidly raises sharply the rate of saving and investment required to provide a growing per capita stock of capital and a growing per capita income.

When the post-war development policies were planned, it was foreseen that it would not be possible to obtain enough capital from abroad to overcome the tendency towards stagnation without a marked rise in the rate of domestic saving. It seemed clear, therefore, that a great effort would have to be made, involving the acceptance of low standards of consumption for some years, to provide the means for longer-term expansion. Psychological and political conditions in the country after the war were favourable for an austerity policy, by which an unusually high rate of accumulation might be secured, and such a policy has been pursued by the Yugoslav authorities.

Gross fixed investment is estimated to have been raised to 28 per cent of gross national product in 1947 and to as much as 36 per cent in 1949, while the actual volume of gross fixed investment rose by three-quarters and that of gross national product by one-third over these two years (Table A: 1).

The next three years up to 1952 were a period of relative stagnation: total output showed no further expansion, and investment fell back sharply from the 1949 level. This was due to a combination of reasons. In agriculture, the price policies pursued were not conducive to expansion and two drought years during this period resulted in exceptionally poor harvests. Trade, investment and industrial output were all severely affected by the economic blockade which followed the political break with the eastern European countries and lasted until fairly recently. In addition, greatly increased amounts were devoted to national defence: by 1952 almost one-fifth of total national output was absorbed by military outlays, not including direct military aid received from abroad. Another important cause of stagnation during this middle period was that the whole investment programme as developed in earlier years had been laid out on a very broad scale, with too many large projects competing for resources and with a correspondingly long gestation period.

TABLE A : 1

Population, production and investment in Yugoslavia, 1947 to 1955

Year	Population	Gross national product [a] at 1953 prices		Gross fixed investment [a] at 1953 prices	
	Thousands	Billions of dinars	Per capita in thousands of dinars	Billions of dinars	Percentage of gross national product
1947	15 640	756	48	209	28
1948	15 829	919	58	294	32
1949	16 028	1 001	62	364	36
1950	16 245	956	59	278	29
1951	16 479	1 030	63	293	28
1952	16 729	936	56	272	29
1953	16 991	1 134	67	341	30
1954	17 267	1 200	69	382	32
1955	17 557	1 361	78	430	32

Sources: National statistics and calculations by the secretariat (for details, see Appendix C).

[a] Including repairs and maintenance.

Starting in 1953, and continuing up to the present, there came a renewed and vigorous expansion. This was attributable in part, it would appear, to the maturing of some of the big investment projects started in earlier years, and was to some extent facilitated by the cut in defence outlays and the allocation of additional resources to investment (Table A: 2). During this period, gross fixed investment has risen by about 50 per cent in volume, while total output has risen by about one-third.[1] Compared with 1947, investment has doubled, and the gross national product has risen by about 80 per cent.

Output per capita has, of course, risen rather less, given the increase of almost 2 million, or 12 per cent, in population since 1947. Measured on this basis, output was, in fact, not much higher in 1952 than at

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[1] Comparisons are between the years 1951 and 1955, since the figures for 1952 are affected by the bad harvest of that year.

TABLE A : 2

Allocation of resources in Yugoslavia, 1952 to 1954

	1952	1953	1954
	Billions of dinars at current prices		
Gross national product [a]	949	1 134	1 322
Balance-of-payments deficit	58	104	51
Total resources	1 007	1 238	1 373
Allocated to:			
Gross fixed investment [a]	273	341	417
Defence	183	167	162
Other [b]	551	730	794
	Percentage of total resources		
Gross fixed investment [a]	27	28	30
Defence	18	13	12
Other [b]	55	59	58

Source : National statistics.

[a] Including repairs and maintenance.

[b] Including changes in stocks and work in progress. The estimate for 1954 the only year for which a figure is available, is an increase of 15.

the beginning of the period, but has since rapidly increased. It is more difficult to say how personal consumption has fared. It was undoubtedly severely restricted by the heavy burdens of investment and defence expenditure, which, ever since 1949, have together taken around 45 per cent of total output, though these burdens have been alleviated in part by foreign loans and other economic aid accounting each year for 5 per cent or more of total resources available. As far as can be gathered from Table A: 2, personal consumption has, however, taken a new leap during the past three years and, in absolute amount, seems to have absorbed a larger part of the increase in output than has investment.[2] Strangely enough, the further growth of consumption has coincided, in 1955, with a considerable decline in real wages,[3] but this decline has been offset, and caused, by the continued extraordinary rise in the number of wage-earners outside agriculture —about 200,000 in each of the last two years, representing an annual rate of growth of more than 10 per cent [4] —and by a shift in the distribution of real income in favour of agriculture. Farm prices have risen so much more than others that price rises more than counterbalanced the effects on farm incomes of the decline in quantities sold.

Investment priorities

The overriding importance attached, especially until the last year or so, to the development of industry, mining, power and transportation is apparent from the data in Table A:3 on the allocation of investment. In particular, investment policy has been largely concentrated on major projects considered to be of key importance for the general development of the economy, including those in the metallurgical and engineering industries, oil production and processing, and the development of hydro-electric power and other energy resources.

Further light is thrown on the concentration of investment on major projects by data on the number of industrial establishments classified by size of labour force. Thus, the whole of the industrial labour force of about 720,000 people is employed in some 2,500 establishments averaging nearly 300 workers per establishment. More than 50 per cent of this labour force is employed in establishments with more than five hundred workers each, and roughly one-third is in establishments with more than one thousand workers.

Compared with the priorities given to heavy industry, relatively limited investment resources have been devoted to the consumer goods branches, such as textiles and food processing, which were comparatively

TABLE A : 3

Distribution of new fixed investment [a] in Yugoslavia by the main branches of activity, 1952 to 1955

Percentages of total

	1952	1953	1954	1955
Manufacturing and mining	55	45	38	34
Building and construction industry	3	5	5	4
Electric power	16	16	14	12
Agriculture	5	5	6 [b]	9 [b]
Forestry	1	1	1	1
Transport	11	11	10	12
Trade	1	4	4	4
Other [c]	8	13	22	24

Sources : National statistics and information supplied by the Government of Yugoslavia.

[a] Gross fixed investment minus fixed capital retired from use and expenditure on repairs and maintenance.

[b] Investment financed out of private resources is not included. If it were, the figures for these years would be increased to something near one-fifth of the total.

[c] New housing, social and health services, administration, etc.

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[2] No firm conclusions regarding the behaviour of consumption can, of course, be drawn from the " other " item in Table A:2 since it also includes government civil expenditure, as well as changes in stocks and work in progress.

[3] Real wages declined by 7-8 per cent from the second quarter of 1954 to the second quarter of 1955; see Table A: 4 below.

[4] This increase is now adjudged to have been unduly rapid, and present policy is directed, for the time being, towards a compression of urban employment with the double aim of securing a compensating rise of labour productivity in industry and of returning redundant manpower to agriculture.

well developed before the war and were then operating considerably below full capacity. Over much of the post-war period, agriculture was also given a relatively low priority. But, as may be seen from Table A: 3, investment in agriculture has more recently begun to take a larger share of the total, while housing and other forms of social investment, relatively neglected in earlier years, are also being assigned an increasing importance.

These recent trends appear to foreshadow further modifications in investment priorities in the direction of increased emphasis on the improvement of the light industries, as well as of agriculture and housing. The principles of present investment policy may be summarized as follows on the basis of recent official announcements: [5]

(*a*) To finish the big investment projects already initiated, but to refrain, for the present, from embarking upon new schemes of this type except in a very few special circumstances, and only when additional external credits and grants are assured;

(*b*) To repair and reconstruct older plants, especially in the light industries, where investment is considered to be cheap and quick yielding;

(*c*) To increase investment in agriculture and housing;

(*d*) To fill the gaps left in the industrial structure by the previous concentration on key projects: this applies particularly to the metal-working industries, where big units of basic production have been established, but a great variety of supplementary investment is considered necessary to give the engineering industry a more balanced character.

It should be borne in mind that as the big investment projects already started at present account for a considerable part of total investment and are likely to do so for another year or more, the shift in emphasis to quick-yielding projects will necessarily take some time to bring about.

Over-all balance and the problem of inflation

When per capita income is low, a high rate of capital formation implies the need for effective means of restraining the growth of consumption. In Yugoslavia the authorities have sought in recent years to achieve this restraint by regulating the flow of money incomes rather than by the use of detailed direct controls. Neither the production nor, with the last of the exceptions now ended, the prices of consumer goods are centrally determined: both are, in principle, free to move in response to market forces. The same is also largely true of producer goods.

The limitation of consumer buying power among industrial workers is achieved by the regulation of wage rates and indirect taxes so that, in principle, real incomes expand only at a rate corresponding to the planned rise of consumption in the non-agricultural sector.[6] The position is more complicated in agriculture, which consists predominantly of small-scale private enterprises with far more manpower but much lower real incomes per head than in industry. The level of real incomes in agriculture is now chiefly influenced by direct taxation, and by indirect taxes on manufactured consumer goods. Until recently, prices paid to farmers continued to be influenced, after the general abolition of price controls and rationing in 1952, by the low levels set by the State for retail prices of three important items—bread, sugar and lard—but these controls, which had necessitated substantial imports, were also dropped in the middle of 1955.[7]

Reliance on such general means of restraining consumption at high levels of investment makes it necessary, if inflation is to be avoided, that investment should not become excessive in relation to the supply of consumer goods, on the one hand, and the policies pursued with respect to wage incomes and taxation, on the other. Otherwise, in the absence of detailed central planning of output in both the consumer-goods and the producer-goods sectors, there is competition for resources which may lead to higher output, but also to price increases that may become cumulative. The chief controls on investment, however, are also of a general financial character: there is no attempt to plan and control the details of an investment programme nor, except for key projects, to go much beyond the setting of an over-all target sub-divided by main sectors or branches. Indeed, it may be said that the Yugoslav authorities have in recent years under-

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[5] *Politika*, 2 October and 28 November 1955.

[6] A proposal now under discussion is to revise the wages system with a view to stimulating increases in productivity, so that it will be more closely geared, partly through the widespread introduction of piece-rates, to output per individual worker.

[7] The State continues to exercise some direct influence over farm prices, first through the operations of the State buying agencies for products to supply the retail network, the processing industries, and the export market, and, second, through the recently introduced system of contractual deliveries at prices negotiated in advance, in return for the right of the peasants to buy heavily subsidized fertilizers, seeds and farm machinery and implements. The extent of this influence is, however, difficult to assess. The State buying agencies do not constitute a single monopoly, but rather, despite recent attempts to co-ordinate their policies through " agreed prices ", tend to compete with one another in meeting their requirements. They are, in fact, supposed thereby to have been partly responsible for the considerable rise in farm prices in 1955 which is shown in Table A: 4. The contractual delivery system, moreover, is still only partially applied, chiefly in more advanced farming areas where the peasants are alert to the advantages of fertilizers and of better seeds and tools. Finally, the peasant always has the alternative of selling at least a part of his output locally on the free market.

TABLE A : 4

Price movements in Yugoslavia, 1953 to 1955

1952 = 100

	1953	1954	1955	
			Average	December
Prices paid to farmers :				
Animal products	119	155	158	157 [c]
Other agricultural products	94	87	105	108 [c]
Prices of investment goods :				
Metal goods [a]	98	101	106	107
Electrical equipment	106	103	105	106
Construction material	100	111	118	119
Retail prices	110	108	121	124
Cost of living	105	103	117	120
Money wages	100	107	115 [b]	..
Real wages	95	103	96 [b]	..

Sources : National statistics.

[a] Including consumers' durable goods.

[b] Estimates for 1955 based on the comparison of the second quarter of 1955 with the corresponding quarter of the previous year.

[c] November.

taken the task of developing, in a socialist economy operating within the framework of a rather broad and general plan, a system responsive to market forces and profit expectations with a considerable degree of decentralization of responsibility for investment decisions, as well as for day-to-day management.

While high rates of investment and income growth have in fact been maintained, considerable inflationary strain on the economy has developed and has recently given rise to new measures designed to make financial controls more effective. The strain is evident in the rise of prices during recent years, and especially during 1955, as shown in Table A: 4.

Part of the explanation of these price increases lies in forces which would in any event be difficult to control or counteract—that is, the severe droughts and bad harvests of 1952 and 1954, reflected in the rise in food prices and cost of living in the following year in each case. The raising of the retail prices fixed for bread, sugar and lard in the summer of 1955 was, moreover, not just the result of current inflationary pressure, but rather a deliberate readjustment designed to stimulate farm production (as was quickly achieved in the case of lard [8]) with necessary consequences in the form of increased urban living costs and a redistribution of real income in favour of the farmer.

A further, and quite different, cause of price increases in the consumer-goods sector lies in the previously noted fact that workers have been drawn from the low-income sector, agriculture, into industry and other higher-paid sectors at a faster rate than was expected, with the result that total wage incomes have risen more than would have been consistent with the planned level of consumption and price stability. Given their relatively large families and the generous system of family allowances, the newly recruited workers from the countryside probably tend to earn more, at comparable levels of skill, than those already employed in industry and other non-agricultural occupations.

Inflationary tendencies provoked by an unduly rapid expansion of non-agricultural employment and incomes have, of course, their more basic cause in the consistent excess of actual investment over the annual targets in the last few years.[9] The effects are visible not only in consumer goods prices, but also in those of investment goods, especially construction materials. The reasons for the difficulties in keeping investment within the prescribed limits appear to lie, in considerable part, in the decentralization of investment activity and in the inadequacy, at least until very recently, of financial controls.

The decentralization of investment decisions

Expressed quite generally, funds for investment (as well as defence and communal services) come from the profits of enterprises, in the sense of the gross margin between production costs and selling prices to the ultimate consumer, this margin being accounted for by taxes, other charges on capital, participation by the State in profits, and profits retained by enterprises for reinvestment. In this very broad sense the source of finance is like that described in Chapter 7 with respect to the Soviet Union. The principles and methods applied in the routeing of investment funds are, however, significantly different. In the Soviet Union there is no fixed charge on capital supplied to enterprises: the amount of profit to be paid to the State, as well as the amount of capital supplied by the State, is instead centrally planned and established for each separate enterprise. By contrast, the Yugoslav system shows several distinctive features which may be considered in the light of the data on channels of financing in Table A: 5.

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[8] There have also been recent marked increases in output of other animal products, especially poultry and eggs.

[9] Investment targets and results expressed in comparable prices have not been announced; but a rough allowance for price changes applied to the available figures suggests that the excess in recent years may have been as much as one-quarter, or even more.

TABLE A : 5

Channels for finance of investment in Yugoslavia, 1952 to 1955 [a]

Billions of dinars and percentages

	1952		1953		1954		1955 [b]	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
Investment funds [c]	197	72.3	213	62.7	161	40.0	166	47.0
Budget grants [d]	20	7.2	15	4.3	93	23.5	19	6.0
Self-finance	4	1.4	37	10.9	58	14.8	65	18.0
Amortization funds	52	19.0	75	22.0	86	21.5	104	29.0

Source : National statistics.

[a] Excluding finance provided out of private resources.

[b] January to November, annual rate.

[c] Central Investment Fund and corresponding funds of the republics and municipalities.

[d] Budget grants by Federal Government, republics and municipalities.

First of all, there is a regular tax [10] on the total stock of fixed capital held by each enterprise. The rate varies between different sectors of the economy, and may, in very exceptional cases, be waived altogether. The normal rate of tax, as laid down in the 1955 plan, is 6 per cent; but a fairly wide range of sectors are subject to rates of only 1 or 2 per cent. Enterprises producing building materials, printing works and enterprises in the film industry are among those paying only 1 per cent: electric power plants, oil refineries, coking plants, steel works, shipyards and a number of food-processing industries are among those paying a rate of 2 per cent.

Secondly, a sharp distinction is made between outright budget grants for the subsidization of investment and other financing supplied in the form of loans from the Central Investment Fund (or the corresponding investments funds of the republics and municipalities) on which interest and amortization must be paid. Thus, grants out of the federal budget (together with those from the budgets of the republics and municipalities) may be used to finance investment on which no direct return is expected, such as railway or highway construction, or to establish enterprises in backward regions lacking in external economies, or, as happened on a large scale in 1954, to finance the completion of projects for which other means of financing have been exhausted. Loans extended by the Central Investment Fund, on the other hand, are expected to yield a return; and payments of interest and principal, together with the charges levied on all fixed capital mentioned above, constitute the principle resources of this fund. The Central Investment Fund can thus be thought of as a kind of holding company engaging in self-finance on a vast scale.

Finally, the principle of competitive bidding is followed in the granting of credits from the Central Investment Fund for specific projects.[11] On the basis of the broad allocation of investment funds by sectors in the annual economic plan, together with more specific objectives set in the plan itself or determined by the central administrative authorities, the Central Investment Fund advertises that it is open to receive bids for credits for investment purposes within particular sectors or branches. Municipalities, enterprises or co-operative groups may then submit tenders for projects covered by the competition. Substance is given to this possibility by the so-called " projectant bureaux ", which serve as consulting engineers and economists and provide technical aid, on a commercial basis, in the preparation of specific projects. In addition to other usual criteria, the rate of interest appears to be given increasing weight in the allocation of credits. Except where special provision is made for particular projects, the allocation of the credit available to finance fixed investment within a particular sector is determined by the bids, in terms of finance required and rate of interest offered, submitted by the eligible enterprises. Rates of interest may therefore vary both as between sectors and within sectors, where, in general, the available credit goes to the highest bidders.[12] Working capital appears to be available at fixed rates, with a surcharge for amounts in excess of " normal " requirements.[13] Varying amortization periods for long-term credits are fixed for different industries and types of investment.[14]

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[10] This is regarded as an interest payment on the fixed capital at the disposal of enterprises.

[11] The same principle is followed in the granting of credits from the investment funds of the republics.

[12] In 1954, rates charged on credits to the agricultural sector (including loans to individual farmers) ranged as widely as 1 to 5 per cent; in industry, transport and the provision of services generally, rates were 2 to 3 per cent; credits for housing were available at rates from 1 to 2 per cent.

[13] In 1954, " normal " rates were 2 per cent for agriculture and 5½ per cent for other activities: " excess " rates ranged from 2½ to 7½ per cent.

Thus, the aim in Yugoslavia has been to stimulate local initiative in the formulation and execution of investment plans, while endeavouring to maintain discipline and efficiency in the use of capital by the general tax levied on all fixed capital, as well as by the charges paid on borrowed funds. A fairly large part, roughly one-half, of total investment is, however, centrally determined both in magnitude and by broad categories. This includes projects financed by grants out of the federal budget and by loans and credits from the Central Investment Fund. There is less central control over the investment funds and budget grants of the republics and municipalities, and also less direct control over the use of the retained profits and amortization funds of enterprises. In principle, the magnitude of these resources can be fairly clearly foreseen, and rules can be devised for restricting their use to limits consistent with the over-all economic plan. In fact, considerable difficulty seems to have been encountered in controlling the magnitude of investment by the municipalities and in preventing the use of enterprises' amortization funds beyond the amounts currently required for repairs and replacements. These are considered to have been the chief sources of excess investment, compared with the plan, in recent years, though the central authorities themselves are not exempt from pressures to undertake investment projects going beyond their own targets.

Strengthening of financial controls

With a view to keeping investment from exceeding the planned level, and to arresting the inflationary development already under way, the Yugoslav Government at the beginning of 1955 took the unusual step of cancelling outright 27 billion dinars of liquid reserves accumulated in one form or another by enterprises and by municipalities and republics. In addition, compulsory reserves had to be set up equal to 6 per cent of all the revenues at the disposal of enterprises and other bodies, including the Federal Government itself.

Though these measures were regarded at the time as very drastic, and encountered strong opposition from those whose investment plans were adversely affected, they did not suffice to keep investment during 1955 from expanding further and again exceeding the planned level. Later in the year a number of additional measures were taken to restrict access to credit and to tighten controls over the use of amortization funds of enterprises. Thus, taxation of profits by the State was increased; enterprises and other bodies were required, before being authorized to obtain credit, to make a deposit of 30 per cent of the cost of their investment projects; and building licences were not to be issued until the necessary means for financing projects were assured.

Discussion has recently focused on proposals designed to keep the very large and rapidly growing investment activities of the municipalities within prescribed limits. Hitherto, these activities seem to have had a doubly inflationary impact: by sharing—on a percentage basis—in the profits of local enterprises, the municipalities have had a vested interest in rising selling prices as a way of enlarging their own resources for investment. The step now contemplated in the draft plan for 1956, and already put into effect for the first quarter, would limit their participation in profits and would substitute for a part of this income, by exchange with the republics, tax revenues not subject to the same expansionist influence.

To sum up, the high rates of capital formation achieved during the last several years of rapid growth may well have had the effect of transferring more resources from consumption to investment than might have been possible by less inflationary methods of financing. Now, however, the point seems to have been reached where further inflation is regarded as a serious threat to the observance of the new investment priorities laid down and to the orderly functioning of an economic system still in process of evolution. The adverse effects of inflation are especially evident, for instance, in the foreign exchange sector, where, because of the differential which has developed between domestic and foreign price levels and the excess demand for imports, the principle of open competitive bidding by enterprises for foreign exchange has had to give way, at least for the time being, to a complicated system of multiple rates and allocations depending upon the essentiality of the imports demanded. The problem to which the stronger financial controls now being worked out are addressed is therefore to ensure a high and generally rising volume of investment but, at the same time, to hold investment within limits that can be financed without serious inflationary consequences.

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[14] E.g., 10 years for credits to buy tractors; 30 years for loans to shipyards, metal-working and mining industries and coking plants; 25 years for cement works, the chemical, fertilizer and agricultural machinery industries, potteries and glassworks and oil-refineries; 15 years for a variety of miscellaneous industries and enterprises.

Appendix B

SUPPLEMENTARY STATISTICS

Item	Year and quarters	Europe			Affiliated overseas areas [a]	Overseas sterling area	Canada	Latin American Republics	All other countries	Inter-national institutions	TOTAL WORLD
		United Kingdom	Other European countries	Total Europe							
A. Goods and services (total) . .	1953 I-III	+214	+321	+535	+99	+59	−754	+142	−77	−12	−8
	1954 I-III	+285	+42	+327	+149	−98	−594	−250	−317	−27	−810
	1955 I-III	+99	−89	+10	+181	−87	−693	−385	−256	−10	−1 240
Exports to the United States . . .	1953 I-III	+426	+1 314	+1 740	+252	+886	+1 814	+2 785	+881	—	+8 358
	1954 I-III	+378	+1 105	+1 483	+310	+773	+1 714	+2 654	+795	—	+7 729
	1955 I-III	+452	+1 272	+1 724	+306	+894	+1 945	+2 532	+972	+1	+8 374
Imports from the United States [b] .	1953 I-III	−487	−1 689	−2 176	−212	−691	−2 409	−2 215	−1 356	−6	−9 065
	1954 I-III	−486	−1 884	−2 370	−204	−714	−2 130	−2 416	−1 356	−16	−9 206
	1955 I-III	−726	−2 396	−3 122	−193	−827	−2 433	−2 372	−1 410	—	−10 357
Services (net), excluding United States military expenditure	1953 I-III	+111	+44	+155	−8	−188	−298	−451	−334	−6	−1 130
	1954 I-III	+120	+27	+147	−14	−215	−325	−507	−352	−11	−1 277
	1955 I-III	+108	+56	+164	−14	−222	−341	−560	−362	−11	−1 346
United States military expenditure abroad	1953 I-III	+164	+652	+816	+67	+52	+139	+23	+732	—	+1 829
	1954 I-III	+273	+794	+1 067	+57	+58	+147	+19	+596	—	+1 944
	1955 I-III	+265	+979	+1 244	+82	+68	+136	+15	+544	—	+2 089
B. Private donations and movements of private United States capital (total)	1953 I-III	+24	+21	+45	−2	+18	+239	−6	+221	−13	+502
	1954 I-III	+79	+127	+206	−7	+52	+354	+329	+224	+158	+1 316
	1955 I-III	−9	+275	+266	+7	+51	+184	+186	+249	+18	+961
of which: Private United States capital . . .	1953 I-III	−15	−130	−145	−6	−9	+237	−45	+131	−13	+150
	1954 I-III	+38	−8	+30	−11	+24	+356	+294	+138	+158	+989
	1955 I-III	−47	+123	+76	+2	+26	+185	+156	+172	+18	+635
C. Surplus or deficit on goods and services, private donations and capital (A+B)	1953 I-III	+238	+342	+580	+97	+77	−515	+136	+144	−25	+494
	1954 I-III	+364	+169	+533	+142	−46	−240	+79	−93	+131	+506
	1955 I-III	+90	+186	+276	+188	−36	−509	−199	−7	+8	−279
D. United States Government grants and credits (excluding military aid)	1953 I-III	+250	+636	+886	—	+104	+11	+266	+376	+60	+1 703
	1954 I-III	+84	+487	+571	−4	+65	+3	+53	+392	+41	+1 121
	1955 I-III	+109	+646	+755	−3	+193	+5	+112	+719	+48	+1 829
E. Changes in foreign holdings of gold and dollar assets (total)	1953 I-III	−624	−1 102	−1 726	+11	−43	+191	−336	−56	+63	−1 896
	1954 I-III	−264	−956	−1 220	+58	+48	−11	−127	+92	−203	−1 363
	1955 I-III	−113	−781	−894	+1	−34	+118	−52	−316	−55	−1 232
Net increase (−) or decrease (+) in long-term assets [c]	1953 I-III	−60	+1	−59	−1	—	−2	—	−1	−27	−90
	1954 I-III	−95	−101	−196	+3	−5	+53	−85	−2	−64	−296
	1955 I-III	−153	−245	−398	—	−5	−283	−64	−26	+32	−744
Net increase (−) or decrease (+) in short-term balances [c]	1953 I-III	−84	−678	−762	+12	−41	+192	−210	−49	+84	−774
	1954 I-III	−119	−599	−718	+55	+53	−72	−107	+105	−155	−839
	1955 I-III	+40	−456	−416	+1	−29	+388	−11	−290	−83	−440
Net purchases (−) or sales (+) of gold	1953 I-III	−480	−425	−905	—	−2	+1	−126	−6	+6	−1 032
	1954 I-III	−50	−256	−306	—	—	+8	+65	−11	+16	−228
	1955 I-III	—	−80	−80	—	—	+13	+23	—	−4	−48
F. Errors, omissions and inter-regional transfers of dollars	1953 I-III	+136	+124	+260	−108	−138	+313	−66	−464	−98	−301
	1954 I-III	−184	+300	+116	−196	−67	+248	−5	−391	+31	−264
	1955 I-III	−86	−51	−137	−186	−123	+386	+139	−396	−1	−318

Sources : Rearranged from the June, September and December 1955 issues of the *Survey of Current Business*, United States Department of Commerce.

[a] Excluding the sterling area.

[b] Excluding goods and services provided by the United States to other countries under the military aid programme. See Appendix C.

[c] Official and private.

TABLE II — Index numbers of unit values for total imports and exports

1950 = 100

Country	Type of index [a]	1951	1952	1953	1954	1953				1954				1955		
						1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.
Imports																
United Kingdom	C	133	131	119	118	122	120	118	117	115	118	119	120	122	121	120
France [b]	A	129	127	115	114	116	114	115	113	114	114	114	112	110	112	114
Netherlands	A	123	121	107	102	109	110	106	102	102	104	102	101	104	105	104
Belgium-Luxembourg	A	125	122	115	110	116	112	111	108	111	111	111	109	111	110	111
Switzerland	B	121	118	110	108	113	111	109	108 I	113	113	113	112	112	111	112
Italy	B	130	125	114	114	117 *	116 *	114 *	109 *	114	115	113	114	115	115	116
Spain	A	106	124	109	99	127	115	98	95	97	91	89	119	119	120	..
Portugal	B	116	121	119	118	121	118	112	118	116	120	119	118	115	117	..
Turkey	B	120	121	114	117	115	111	118	110	119	120	114	113	114	126	116
Denmark	A	127	125	113	109	115	114	112	111	110	108	109	108	112	109	112
Sweden	C	128	134	122	122	126	124	121	120	122	122	122	121	121	121	121
Norway [c]	A	119	120	112	106	117	113	108	111	108	108	105	106	110	109	110
Finland	A	140	133	122	118	128	122	123	118	124	120	118	111	118	115	120
Western Germany	A	127	121	106	102	111	107	104	102	100	101	104	102	103	106	108
Austria	A	143	148	160	153	147	161	165	165	161	156	153	147	152	152	146
Total of countries listed (plus Ireland) [d]		127	125	114	111	118	115	113	111	111	111	111	112	113	113	114
United States	D	126	119	114	117	114	114	114	114	114	118	118	117	117	115	116
Exports																
United Kingdom	C	118	124	119	118	120	119	119	118	118	118	118	118	118	119	121
France [b]	A	116	126	118	112	120	120	117	115	114	113	111	110	109	114	113
Netherlands	A	119	121	107	102	115	113	100	101	102	103	100	102	102	100	..
Belgium-Luxembourg	A	135	134	112	106	119	112	110	108	108	106	104	104	106	109	110
Switzerland	B	110	110	107	106	108	107	107	107 I	101	100	100	99	100	98	97
Italy	B	120	112	107	111	109 *	110 *	105 *	104 *	112	112	109	110	110	110	108
Spain	A	106	106	98	93	93	104	99	94	92	92	96	93	90	99	..
Portugal	B	128	131	119	121	125	119	119	118	118	121	122	122	121	123	..
Turkey	B	124	106	106	109	101	100	104	108	107	107	115	109	110	113	109
Denmark	A	112	118	112	112	115	112	110	113	111	110	110	114	112	110	109
Sweden	C	156	153	134	132	136	135	133	132	133	132	132	130	134	134	136
Norway [c]	A	136	133	118	119	118	119	118	117	118	116	123	121	123	125	128
Finland	A	192	179	142	146	123	141	153	139	126	142	156	146	133	151	167
Western Germany	A	122	131	123	118	126	124	122	121	120	119	118	117	119	119	120
Austria	A	134	151	137	136	123	141	143	139	133	138	137	135	137	141	138
Total of countries listed (plus Ireland) [d]		123	127	118	115	121	120	117	117	115	116	115	115	116	116	119
United States	D	115	114	113	112	114	113	113	113	113	113	111	112	112	113	113
Terms of trade [e]																
United Kingdom	A	109	101	92	93	95	92	92	91	91	93	93	95	97	94	94
France [b]	A	111	101	98	101	97	96	99	98	100	101	102	102	101	98	101
Netherlands	A	104	100	100	100	95	97	106	102	99	101	101	99	102	104	..
Belgium-Luxembourg	A	93	91	102	104	97	100	100	100	103	105	107	105	104	101	101
Switzerland	B	110	107	102	102	105	104	102	102 I	112	113	113	113	112	113	115
Italy	B	109	112	107	103	107 *	106 *	109 *	105 *	102	103	104	103	105	105	107
Spain	A	100	117	111	106	136	111	99	101	106	99	92	128	133	121	..
Portugal	B	91	92	100	97	97	100	94	100	98	99	97	96	95	96	..
Turkey	A	92	97	104	111	105	101	100	99	112	117	112	101	94	89	97
Denmark	A	113	105	100	97	100	101	101	98	99	98	99	95	100	99	102
Sweden	C	82	87	92	93	93	92	91	91	92	93	93	93	90	90	88
Norway [c]	A	88	90	95	89	99	95	91	95	91	93	86	88	89	87	86
Finland	A	73	74	86	81	105	87	80	85	99	84	76	76	88	76	72
Western Germany	A	104	92	86	86	88	86	86	84	84	85	88	87	87	89	90
Austria	A	107	98	116	113	119	115	115	119	121	113	112	109	111	107	106
United States	D	110	104	100	104	100	101	101	100	101	105	106	105	104	102	102

Sources and methods : See Appendix C.

[a] A = unit value index with moving current weights.
B = unit value index with fixed weights.
C = unit value index with moving anterior weights.
D = unit value index with moving crossed weights.

[b] Excluding non-monetary gold.

[c] Excluding trade in ships.

[d] This index has been derived from current values given in Table VI and volume index of sixteen countries (including Ireland) given in Table IV.
The ratio of the import price index to the export index. An increase in the index indicates a deterioration in the terms of trade.

TABLE III

Index numbers of import and export unit values for major commodity groups

1950 = 100

Commodity group	Country	Type of index [a]	1951	1952	1953	1954	1953				1954				1955		
							1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.
Imports																	
Food, drink and tobacco	United Kingdom	C	114	120	116	119	114	117	116	114	115	119	120	122	124	120	116
	France	A	113	121	116	116	115	118	117	111	112	123	117	111	105	106	102
	Switzerland . . .	B	114	112	106	107	108	107	104	105	⧗ 109	116	117	110	109	106	107
	Italy	B	105	110	109	107	. .	. .	. .	. .	104	105	109	110	109	106	103
	Western Germany	A	112	110	100	98	100	102	100	98	96	97	101	98	96	97	98
	United States . .	D	111	112	112	126	110	112	114	113	117	130	130	128	122	113	109
Raw materials	United Kingdom	C	151	139	120	115	125	119	117	116	114	115	116	116	118	119	120
	France [b]	A	139	134	113	111	119	111	111	110	113	110	111	111	113	113	116
	Switzerland . . .	B	134	128	115	110	120	116	113	113	⧗ 114	108	110	110	111	111	113
	Italy	B	177	147	131	125	. .	. .	. .	. .	129	128	122	123	125	127	128
	Western Germany	A	146	135	112	108	117	112	111	107	105	106	110	110	111	117	122
	United States . .	D	147	121	110	107	111	109	110	108	108	106	106	107	110	111	. .
Manufactures	United Kingdom	C	133	137	128	122	132	128	127	124	120	122	122	124	131	131	134
	France	A	116	110	127	119	113	123	143	136	125	114	122	118	108	122	127
	Switzerland . . .	B	115	114	110	108	112	110	109	107	⧗ 109	108	106	107	107	108	107
	Italy	B	123	126	112	119	. . .	. .	. .	. .	118	121	119	119	122	123	123
	Western Germany	A	115	108	102	95	117	103	96	95	98	96	92	94	97	96	95
	United States . .	D	122	123	118	116	119	118	117	117	116	116	116	116	117	118	. .
Exports																	
Chemical products	United Kingdom	A	112	122	111	96	114	112	110	110	⧗ 97	95	96	96	98	98	98
	France	A	116	106	96	92	95	97	97	96	95	95	85	92	89	92	92
	Switzerland . . .	A	101	105	100	105	104	98	97	102	⧗ 102	98	106	105	101	97	97
	Western Germany	A	120	113	98	98	99	98	96	98	100	98	97	98	99	97	96
Textile goods	United Kingdom	C	130	122	110	111	110	109	109	110	111	113	112	109	111	112	111
	France	A	125	117	107	105	110	106	107	107	107	105	104	104	103	105	104
	Switzerland . . .	A	122	117	107	110	109	106	105	110	⧗ 118	117	110	113	121	115	111
	Western Germany	A	127	121	107	107	112	106	105	106	110	108	106	106	109	106	111
Finished engineering products	United Kingdom	C	111	122	122	122	123	121	122	121	122	121	122	123	123	124	126
	France	A	112	130	131	132	128	133	134	131	134	134	130	134	129	138	137
	Switzerland . . .	A	98	97	98	96	99	98	98	98	⧗ 99	97	97	95	96	92	95
	Sweden	C	110	126	131	126	130	137	130	129	130	118	131	126	120	120	125
	Western Germany	A	116	131	136	136	137	134	134	137	138	137	136	134	137	137	138
All manufactures	United Kingdom	C	116	125	119	118	120	118	118	118	118	118	118	118	119	119	121
	France	A	116	128	124	124	124	125	125	122	125	125	123	123	122	130	130
	Belgium-Luxemb.	A	133	131	112	105	116	111	109	106	109	106	104	104	107	109	110
	Switzerland . . .	B	108	110	107	107	108	106	107	108	⧗ 100	99	99	98	98	97	96
	Italy	B	125	119	105	109	. .	. .	. .	. .	110	109	107	109	107	106	105
	Sweden	C	136	138	127	122	129	129	126	124	124	122	123	121	126	124	129
	Western Germany	A	121	130	123	118	127	123	122	122	120	119	117	118	120	120	121
	United States . .	D	113	114	114	113	114	113	114	114	113	114	112	113	114	115	116

Sources and methods: See Appendix C.

NOTE. — Owing to the large discrepancies in the type and coverage of the commodity group indices, inter-country comparisons should be made with caution.

[a] A = unit value index with moving current weights.
B = unit value index with fixed weights.
C = unit value index with moving anterior weights.
D = unit value index with moving crossed weights.

[b] Excluding non-monetary gold.

TABLE IV

Index numbers of volume for total imports and exports

1950 = 100

Country	1950 Millions of dollars[a]	1951	1952	1953	1954	1953				1954				1955		
						1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.
Imports																
United Kingdom[b]	7 066	113	102	111	112	104*	115*	111*	113*	111	112	111	113	128	117	127
Ireland	441	105	88	99	96	97	95	92	111	103	95	90	98	112	100	96
France[c]	3 028	113	112	112	121	119	116	102	111	123	128	112	123	135	144	124
Netherlands	2 052	102	91	108	136	99	101	110	124	127	123	139	155	148	144	153
Belgium-Luxembourg	1 950	105	104	109	120	101	102	106	113	115	117	116	118	127	120	124
Switzerland	1 049	118	104	108	124	98	107	107	120 Ɪ	109	118	121	136	129	138	135
Italy	1 446	115	127	138	141	140*	140*	126*	145*	152	147	126	143	146	160	150
Spain	390	93	107	130	151	108	107	139	165	147	167	159	129	112	129	..
Portugal	273	96	100	102	107	91	89	102	124	90	101	105	131	107	111	..
Turkey	286	120	166	164	162	141	158	162	196	142	225	128	152	157	179	139
Denmark	852	94	91	104	126	104	94	104	114	110	130	127	136	125	122	120
Sweden	1 179	118	110	110	124	102	109	103	124	115	121	120	141	139	138	130
Norway	674	110	106	116	133	119	115	103	127	125	129	127	153	148	140	130
Finland[d]	388	126	156	114	147	99	123	110	125	109	138	156	187	129	192	172
Western Germany	2 704	102	118	133	167	121	126	131	155	144	160	163	201	188	195	205
Austria[e]	431	104	99	90	119	88	94	80	97	96	105	112	160	153	153	164
Total of countries listed	24 209	109	107	115	127	109	114	111	123	121	127	124	137	139	139	140
United States[f]	8 744	99	103	108	101	111	114	107	103	102	107	94	98	107	110	111
Exports																
United Kingdom[g]	6 080	99	92	94	99	91*	92*	93*	102*	99	99	98	98	110	96	106
Ireland	197	99	120	135	137	123	125	149	142	124	113	151	159	135	110	121
France[c]	3 028	116	100	105	122	103	109	90	119	116	120	113	139	139	139	123
Netherlands	1 383	119	126	143	169	128	127	153	167	161	156	168	190	180	180	..
Belgium-Luxembourg	1 644	117	110	120	131	108	116	114	124	117	125	119	142	145	136	127
Switzerland	904	120	120	134	136	126	128	134	145 Ɪ	124	128	136	156	136	146	147
Italy	1 193	115	103	109	118	97*	105*	113*	123*	116	113	121	124	117	129	143
Spain	405	113	100	114	112	126	110	84	135	125	115	85	122	129	113	..
Portugal	185	116	101	104	126	86	94	99	136	110	116	119	158	115	134	..
Turkey	263	101	122	148	140	151	144	97	181	157	135	93	173	121	84	82
Denmark	658	113	108	120	130	117	114	117	133	123	132	128	138	128	140	138
Sweden	1 103	104	93	101	110	83	98	106	116	89	114	111	125	102	114	118
Norway[h]	373	106	102	106	120	107	99	105	116	118	126	112	124	129	118	124
Finland[d]	354	125	110	116	134	90	112	128	133	97	136	156	147	103	147	178
Western Germany	1 981	143	154	180	223	151	174	180	217	197	209	227	258	237	248	251
Austria	305	109	108	146	176	127	131	152	169	164	173	177	192	178	188	202
Total of countries listed	20 056	113	108	117	130	108	113	114	132	123	127	127	143	139	138	139
United States[g]	10 141	128	130	136	132	134	147	132	133	118	150	126	134	131	135	130

Sources and methods : See Appendix C.

[a] Values c.i.f. for imports (f.o.b. for the United States) and f.o.b. for exports.

[b] Retained imports.

[c] Excluding non-monetary gold.

[d] For comparability with other countries, the seasonal adjustment in the official Finnish index has been eliminated. Exports for war reparations are excluded.

[e] Including imports under the foreign aid programme.

[f] Imports for consumption.

[g] Domestic exports.

[h] Excluding ships.

TABLE V

Index numbers of volume of imports and exports for major commodity groups

1950 = 100

Commodity group	Country	1950 Millions of dollars[a]	1951	1952	1953	1954	1953				1954				1955		
							1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.
mports																	
	United Kingdom[b] .	2 867	110	98	111	109	99*	120*	112*	112*	113	103	104	114	125	107	112
	France	897	103	106	105	111	119	121	84	100	116	125	93	111	128	139	100
od, drink and obacco	Switzerland	318	92	84	89	89	83	85	88	100	x 91	89	79	103	89	99	90
	Italy	..	132	125	128	99	..	..	..	..	110	92	82	109	112	122	117
	Western Germany .	1 192	104	110	117	145	107	111	109	140	132	133	134	182	153	149	151
	United States . . .	2 648	105	106	111	99	116	111	107	109	117	110	80	89	102	100	98
	United Kingdom[b] .	2 792	110	99	110	112	112*	115*	104*	110*	108	119	115	108	122	117	130
	France[c]	1 661	121	117	120	133	127	117	118	120	136	136	129	133	141	151	139
w materials	Switzerland	371	121	107	99	122	92	99	101	105	x 99	112	129	133	121	133	135
	Italy	..	98	115	118	121	..	..	..	..	148	136	104	95	128	134	115
	Western Germany .	1 173	101	120	139	169	127	132	142	155	146	169	170	191	197	206	216
	United States . . .	2 465	93	99	97	93	99	101	96	92	93	97	91	88	99	104	106
	United Kingdom[b] .	1 579	123	121	113	121	103*	103*	122*	123*	117	123	120	123	149	139	155
	France	470	106	105	97	102	100	106	84	99	91	109	96	113	124	133	120
nufactures	Switzerland	360	133	114	127	147	113	127	124	143	x 135	147	147	161	169	175	172
	Italy	..	113	137	154	168	..	..	..	..	176	164	153	181	162	188	175
	Western Germany .	339	97	139	172	237	147	160	170	210	182	219	247	301	284	319	354
	United States . . .	3 630	98	104	114	107	114	123	113	106	96	111	108	112	116	122	124
xports																	
	United Kingdom .	301	119	105	x 110	139	102*	106*	111*	123*	124	135	143	153	163	142	168
	France	168	115	108	122	152	117	123	111	135	145	141	164	159	159	177	154
mical	Netherlands	..	124	128	145	198	136	132	149	160	210	190	179	214	227	215	213
roducts	Switzerland	122	131	103	124	145	113	119	126	136	x 133	148	149	164	157	164	154
	Western Germany .	170	159	136	209	268	184	191	206	255	247	249	274	301	290	299	306
	United Kingdom .	1 162	101	76	82	80	78*	78*	84*	88*	85	80	78	77	83	66	80
tile goods	France	587	101	83	93	103	88	92	80	112	99	99	95	118	102	96	86
	Switzerland	82	105	100	129	130	129	130	123	134	x 130	121	119	128	134	123	127
	Western Germany .	97	176	188	230	294	181	212	245	284	269	265	310	331	309	306	329
	United Kingdom .	1 123	102	100	96	100	93*	98*	91*	100*	103	103	97	96	111	101	107
ished	France	417	125	121	107	114	111	115	88	111	114	128	103	114	126	130	107
ngineering	Switzerland	258	116	120	125	137	120	121	123	136	x 120	128	137	153	137	156	153
roducts	Sweden	152	118	115	98	112	95	90	95	109	96	122	99	130	118	121	104
	Western Germany .	392	167	221	238	283	201	251	233	269	244	277	281	331	309	330	317
	United Kingdom .	5 270	100	91	91	95	87*	90*	90*	97*	96	96	95	93	107	93	104
	France	1 246	116	106	102	111	99	105	85	117	109	113	100	123	117	113	98
	Belgium-Luxembourg	..	125	118	123	135	109	118	117	129	120	130	123	142	144	137	128
	Switzerland	833	122	119	132	135	125	128	133	144	x 121	126	134	151	134	144	145
anufactures	Italy	..	124	102	102	106	..	..	..	..	106	103	109	107	110	125	138
	Sweden	585	108	103	99	118	96	97	100	119	103	120	108	139	123	125	111
	Western Germany .	1 280	162	180	207	264	168	203	206	252	230	249	270	306	280	297	302
	United States[d] . .	6 894	131	141	159	149	154	177	155	149	135	175	147	141	144	154	141

Sources and methods : See Appendix C.

NOTE. — Owing to the large discrepancies in the type and coverage of the commodity group indices, inter-country comparisons should be made with caution. All indices are quantum indices with fixed weights, except in the case of Sweden (moving anterior weights) and the United States (moving crossed weights).

[a] Imports c.i.f., except for the United States (imports f.o.b.), and exports f.o.b.

[b] General imports.

[c] Excluding non-monetary gold.

[d] Including " special categories ".

Table VI. — Imports and exports of nineteen
according to areas of

Millions of current dollars ;

Area of origin for imports and area of destination for exports	Period	United Kingdom [a]		Ireland		Iceland		France [b]		Netherlands		Belgium-Luxembourg		Switzerland		Italy		Portugal	
		Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.
I. United Kingdom, Ireland and Iceland	1953-I-IX	224.5	194.2	188.4	212.3	5.6	4.0	126.1	164.7	168.0	196.6	160.0	147.0	61.5	42.5	135.9	79.2	39.9	19.3
	1954-I-IX	210.8	220.3	214.3	200.1	6.1	3.0	123.8	178.4	173.7	209.0	161.0	112.7	57.1	47.0	127.4	96.3	39.6	26.4
	1955-I-IX	207.7	229.1	223.6	195.4	6.2	3.3	131.7	252.2	202.8	251.8	179.9	130.8	59.5	53.2	110.3	98.4	42.0	33.0
II. Western European industrial countries [e]	1953-I-IX	537.3	500.8	36.7	4.9	3.3	1.1	241.9	331.7	377.5	353.2	484.5	462.4	170.6	137.5	247.7	168.8	42.6	14.9
	1954-I-IX	578.5	519.4	29.1	5.3	3.6	2.2	271.6	407.3	449.0	352.8	513.3	540.7	202.0	141.1	259.1	215.9	52.3	17.2
	1955-I-IX	741.3	543.2	28.7	5.9	4.0	1.8	342.8	481.5	544.3	403.5	562.5	661.6	237.6	140.0	287.7	247.8	57.9	22.4
III. Mediterranean and Iberian countries [f]	1953-I-IX	209.3	308.6	10.6	1.0	2.2	5.0	122.0	215.0	40.1	68.3	49.8	120.6	98.3	124.8	91.3	107.4	8.9	6.1
	1954-I-IX	228.9	315.5	7.3	1.8	3.5	4.7	132.1	237.2	46.9	71.5	53.1	100.0	113.2	122.1	65.0	101.7	8.3	8.9
	1955-I-IX	251.6	319.5	8.0	1.7	2.4	7.2	155.5	283.8	52.4	92.2	61.8	115.3	124.2	128.2	80.8	142.8	9.9	11.8
IV. Scandinavian countries [g]	1953-I-IX	706.3	516.9	14.3	0.7	6.4	3.6	112.1	114.0	107.0	146.3	99.1	129.4	33.2	59.1	66.5	52.8	10.0	5.8
	1954-I-IX	722.7	567.3	16.1	1.5	9.1	4.6	105.2	146.9	117.4	190.1	97.4	139.6	28.7	62.4	74.3	68.6	8.3	8.0
	1955-I-IX	814.6	588.7	17.9	1.0	7.7	5.8	145.7	165.4	133.6	189.1	110.6	161.1	39.0	58.6	85.3	66.5	11.0	8.6
V. Western Germany and Austria	1953-I-IX	178.1	138.8	11.2	1.8	3.3	1.9	250.1	219.0	281.4	219.9	225.0	187.2	186.9	114.9	265.1	149.3	24.8	10.2
	1954-I-IX	183.3	162.3	16.1	3.6	4.3	2.1	258.6	261.7	367.4	272.8	263.0	165.1	221.0	129.6	313.8	175.5	35.8	11.5
	1955-I-IX	201.3	177.3	21.7	3.3	5.6	1.3	322.6	376.9	438.7	347.4	296.2	250.4	278.8	151.9	331.1	221.2	42.3	16.6
VI. Western Europe	1953-I-IX	1 855.5	1 659.3	261.2	220.7	20.8	15.6	852.2	1 044.4	974.0	984.3	1 018.4	1 046.6	550.5	478.8	806.5	557.5	126.2	56.3
	1954-I-IX	1 924.2	1 784.8	282.9	212.3	26.6	16.6	891.3	1 231.5	1 154.4	1 096.2	1 087.8	1 058.1	622.0	502.2	839.6	658.0	144.3	72.0
	1955-I-IX	2 216.5	1 857.8	299.9	207.3	25.9	19.4	1 098.3	1 559.8	1 371.8	1 284.0	1 211.0	1 319.2	739.1	531.9	895.2	776.7	163.1	92.4
VII. Eastern European countries [h]	1953-I-IX	71.7	25.7	0.5	0.1	2.7	2.8	18.8	28.7	16.3	19.1	16.2	39.7	20.9	21.8	27.8	25.7	0.7	1.0
	1954-I-IX	66.6	30.1	0.7	0.1	3.4	3.5	18.8	27.0	21.9	34.4	14.8	29.1	22.8	22.7	28.4	23.0	0.3	0.8
	1955-I-IX	89.4	29.5	3.4	0.1	4.3	3.1	26.5	72.5	29.5	32.1	14.7	35.4	26.0	25.9	31.7	29.8	0.6	2.6
VIII. Union of Soviet Socialist Republics	1953-I-IX	74.1	3.7	0.3	—	—	2.5	10.6	5.4	17.5	14.0	10.9	5.9	2.6	1.7	5.6	11.7	—	3.3
	1954-I-IX	81.9	14.9	0.2	—	5.7	5.0	29.8	24.3	13.4	26.3	21.1	18.5	4.6	2.1	14.6	17.7	—	4.1
	1955-I-IX	108.1	40.7	0.3	—	5.7	5.6	33.1	27.9	21.1	7.4	18.1	10.7	4.7	3.5	20.0	12.0	—	2.7
IX. Total Europe (including U.S.S.R.)	1953-I-IX	2 001.3	1 688.7	262.0	220.8	23.5	20.9	881.6	1 078.5	1 007.8	1 017.4	1 045.5	1 092.2	574.0	502.3	839.9	594.9	126.9	60.6
	1954-I-IX	2 072.7	1 829.8	283.8	212.4	35.7	25.1	939.9	1 282.8	1 189.7	1 156.9	1 123.7	1 105.7	649.4	527.0	882.6	698.7	144.6	76.9
	1955-I-IX	2 414.0	1 928.0	303.6	207.4	35.9	28.1	1 157.9	1 660.2	1 422.4	1 323.5	1 243.8	1 365.3	769.8	561.3	946.9	818.5	163.7	97.7
X. United States and dependencies	1953-I-IX	534.3	341.7	28.8	4.5	10,7	4.6	295.0	140.9	169.2	122.8	191.1	189.0	105.3	147.7	246.3	103.1	24.8	26.1
	1954-I-IX	531.4	308.6	23.1	3.7	10.1	7.0	277.4	113.0	234.2	118.9	203.2	136.5	120.9	108.3	215.6	91.6	21.6	19.6
	1955-I-IX	846.4	363.3	35.2	5.7	12.9	4.9	347.3	141.4	316.1	111.8	230.8	168.0	140.6	104.7	300.4	109.2	26.1	20.2
XI. Canada and Newfoundland	1953-I-IX	639.2	334.2	10.9	0.7	0.6	—	25.9	20.1	42.5	11.6	42.5	23.7	36.8	15.7	25.7	9.2	3.4	1.6
	1954-I-IX	538.1	274.6	7.0	1.3	0.2	—	30.1	14.8	20.9	10.5	33.5	17.2	27.9	15.1	11.9	9.0	2.0	1.6
	1955-I-IX	721.9	285.5	13.5	0.6	0.2	—	45.0	17.3	28.9	12.2	36.9	18.0	30.7	16.4	17.9	10.9	1.7	1.5
XII. Latin American republics	1953-I-IX	529.0	216.3	12.4	—	2.0	1.0	177.1	164.9	80.7	66.1	128.3	61.1	53.9	67.9	121.6	77.7	6.8	5.6
	1954-I-IX	492.5	231.9	7.2	—	1.5	2.0	193.4	179.7	149.2	89.3	133.3	79.9	69.1	80.2	101.5	102.3	4.9	9.0
	1955-I-IX	501.5	237.5	9.6	—	1.5	2.0	137.3	188.2	144.0	104.2	102.6	85.9	55.5	84.4	130.4	136.5	9.9	10.7
XIII. Overseas sterling area (including British colonies)	1953-I-IX	2 900.5	2 282.2	33.7	2.4	—	0.9	619.6	111.5	164.5	129.9	184.5	79.8	21.5	55.3	347.0	131.0	6.6	5.1
	1954-I-IX	2 927.4	2 546.8	35.5	2.8	—	0.6	642.4	122.3	165.7	153.8	164.6	117.9	27.7	67.5	359.8	131.9	19.7	7.6
	1955-I-IX	3 058.1	2 646.0	38.6	2.7	—	0.5	660.5	140.1	183.9	162.9	198.2	129.7	33.7	73.3	389.1	107.6	19.6	9.8
XIV. Affiliated overseas areas (excluding sterling area)	1953-I-IX	191.2	107.7	7.1	0.2	5.0	—	828.8	1 082.4	68.9	60.5	151.5	127.9	19.0	19.6	50.6	27.7	48.0	47.2
	1954-I-IX	206.3	114.2	5.8	0.3	0.8	0.2	925.8	1 147.7	78.9	64.4	171.5	122.4	11.6	21.2	51.2	30.9	51.3	55.3
	1955-I-IX	214.2	121.3	6.0	0.1	0.8	0.1	918.6	1 121.0	77.7	76.0	192.7	119.9	10.6	21.4	54.0	38.9	47.8	56.0
XV. Other overseas countries	1953-I-IX	189.9	281.3	6.2	1.0	0.4	0.8	155.0	127.0	187.2	114.5	41.7	74.4	44.2	64.3	142.9	94.5	10.5	2.9
	1954-I-IX	203.1	272.9	5.5	0.6	0.6	0.3	153.9	143.4	200.2	101.2	60.2	65.2	38.7	62.5	152.1	92.9	5.6	4.9
	1955-I-IX	252.4	315.0	6.9	0.8	0.7	0.4	166.1	156.6	179.9	118.1	64.1	82.2	40.4	74.2	143.9	103.3	7.8	4.4
XVI. Total overseas countries	1953-I-IX	4 984.1	3 563.4	99.1	8.8	18.7	7.3	2 101.4	1 646.8	713.0	505.4	739.6	555.9	280.7	370.5	934.1	443.2	100.1	88.5
	1954-I-IX	4 898.8	3 749.0	84.1	8.7	13.2	10.1	2 223.0	1 720.9	849.1	538.1	766.3	539.1	295.9	354.8	892.1	458.6	105.1	98.0
	1955-I-IX	5 594.5	3 968.6	109.8	9.9	16.1	7.9	2 274.8	1 764.6	930.5	585.2	825.3	603.7	311.5	374.4	1035.7	506.4	112.9	102.6
XVII. Total World	1953-I-IX	6 985.4	5 252.1	361.1	229.6	42.2	28.2	2 983.0	2 725.3	1 720.8	1 522.8	1 785.1	1 648.1	854.7	872.8	1774.0	1038.1	227.0	149.1
	1954-I-IX	6 971.5	5 578.8	367.9	221.1	48.9	35.2	3 162.9	3 003.7	2 038.8	1 695.0	1 890.0	1 644.8	945.3	881.8	1774.7	1157.3	249.7	174.9
	1955-I-IX	8 008.5	5 896.6	413.4	217.3	52.0	36.0	3 432.7	3 424.8	2 352.9	1 908.7	2 069.1	1 969.0	1081.3	935.7	1982.6	1324.9	276.6	200.3
XVIII. Dollar Area [i]	1953-I-IX	1 334.7	793.8	46.7	5.2	12.1	5.0	366.9	224.5	250.2	169.9	289.3	257.4	166.8	202.2	303.8	145.4	29.3	30.8
	1954-I-IX	1 206.5	708.5	32.5	5.0	10.6	7.3	350.4	188.4	326.7	176.5	295.5	204.5	178.4	163.2	250.0	142.8	23.9	24.4
	1955-I-IX	1 730.1	785.9	52.1	6.4	13.3	5.1	430.5	221.1	448.1	175.8	321.4	233.3	199.0	161.3	342.8	170.5	29.2	25.0

Sources and methods : See Appendix C. [a] Imports are general imports, and exports exclude re-exports. [b] Excluding non-monetary gold ; see Appendix C

[e] France, Netherlands, Belgium-Luxembourg, Switzerland. [f] Italy, Greece, Spain, Portugal, Yugoslavia, Turkey and miscellaneous continental and non-continenta European countries and territories. [g] Denmark, Sweden, Norway, Finland. [h] Bulgaria, Czechoslovakia, eastern Germany, Hungary, Poland and Rumania

[i] United States, Canada, Latin American dollar countries and the Philippines.

n countries and the United States nd destination

c.i.f., exports f.o.b.

eece, in and rkey	Yugoslavia		Denmark		Sweden		Norway		Finland		Western Germany		Austria		Total of nineteen countries		United States		Period	Origin and destination
Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp. [c]	Exp. [d]		
87.8	18.2	15.9	211.5	279.5	193.5	211.3	139.3	74.0	45.1	96.9	111.4	150.5	23.6	29.2	1 980.2	2 004.9	418.2	454.4	I-IX-1953	I
79.9	19.1	16.5	226.3	276.2	213.6	226.3	147.9	82.6	73.3	117.4	151.3	166.1	23.0	19.5	2 079.0	2 077.7	376.4	459.8	I-IX-1954	
78.8	15.5	13.6	221.9	263.2	200.5	251.9	159.1	106.9	99.1	144.4	148.4	196.0	29.3	18.7	2 146.0	2 320.7	450.9	692.1	I-IX-1955	
91.7	44.9	13.3	135.8	57.3	204.8	177.3	88.6	44.4	57.2	46.3	653.3	922.8	52.4	54.0	3 547.8	3 382.4	584.9	674.5	I-IX-1953	II
85.2	31.2	17.5	153.2	40.9	251.0	183.2	98.0	48.2	75.4	60.5	757.0	1 079.3	59.1	60.2	3 947.2	3 776.9	476.4	801.6	I-IX-1954	
113.6	32.7	19.4	161.2	60.7	275.8	212.4	111.0	50.3	73.1	77.9	1 040.6	1 289.6	83.0	70.4	4 753.0	4 402.0	517.4	947.4	I-IX-1955	
101.3	33.2	39.9	25.0	32.1	53.1	71.5	24.6	21.9	15.1	14.4	304.7	440.1	48.1	96.9	1 240.3	1 774.9	279.3	468.0	I-IX-1953	III
75.8	35.3	47.8	23.7	33.7	58.7	69.6	24.4	23.3	18.1	20.4	316.6	474.2	59.2	119.0	1 324.2	1 827.2	248.2	452.6	I-IX-1954	
61.3	40.3	39.7	22.5	39.7	61.6	72.3	22.7	28.0	17.2	18.7	374.8	510.9	78.6	117.2	1 437.0	1 990.3	271.4	632.8	I-IX-1955	
44.6	8.0	1.4	109.5	60.8	77.3	161.3	115.3	64.7	32.8	28.7	285.5	449.2	12.6	15.1	1 867.0	1 854.4	195.1	162.4	I-IX-1953	IV
37.8	6.4	3.1	130.2	76.5	92.3	201.9	141.7	78.6	36.5	35.2	324.7	543.6	12.9	15.8	1 983.6	2 181.5	165.2	172.3	I-IX-1954	
40.1	5.9	2.2	126.8	103.1	99.8	233.7	180.2	79.9	56.0	33.9	431.2	619.8	17.8	17.9	2 342.0	2 375.4	180.6	233.8	I-IX-1955	
121.4	67.6	27.2	138.8	87.0	216.5	127.5	107.2	38.2	33.4	30.2	70.3	110.2	108.9	77.2	2 342.8	1 661.9	233.4	284.0	I-IX-1953	V
100.6	57.1	48.8	173.3	94.9	256.2	144.3	117.7	47.2	32.6	35.1	92.7	163.1	155.8	99.8	2 720.7	1 918.0	221.2	349.2	I-IX-1954	
115.8	57.9	34.7	174.1	137.4	332.1	169.9	119.5	57.3	51.2	52.8	121.8	229.6	223.0	129.2	3 177.2	2 473.0	280.3	470.5	I-IX-1955	
446.8	171.9	97.7	620.6	516.7	745.2	748.9	475.0	243.2	183.6	216.5	1 425.2	2 072.8	245.6	272.4	10 978.1	10 678.5	1 710.9	2 043.3	I-IX-1953	VI
379.3	149.1	133.7	706.7	522.2	871.8	825.3	529.7	279.9	235.9	268.6	1 642.3	2 426.3	310.0	314.3	12 054.7	11 781.3	1 487.4	2 235.5	I-IX-1954	
409.6	152.3	109.6	706.5	604.1	969.8	940.2	592.5	322.4	296.6	327.7	2 116.8	2 845.9	431.7	353.4	13 855.2	13 561.4	1 700.6	2 976.6	I-IX-1955	
25.5	—	—	22.4	15.0	34.1	31.7	14.5	11.5	62.9	18.7	33.2	35.2	43.6	39.7	408.7	341.9	17.7	1.3	I-IX-1953	VII
47.7	1.3	1.5	20.8	32.0	30.4	34.8	22.2	15.6	69.4	26.7	43.9	46.0	36.6	40.5	432.5	415.5	20.6	1.7	I-IX-1954	
57.6	8.9	10.5	23.9	19.5	35.8	34.8	15.2	16.6	86.0	35.0	59.6	72.0	52.6	41.9	583.2	518.9	28.0	6.0	I-IX-1955	
1.9	—	—	4.4	8.8	5.8	14.6	8.1	9.3	70.0	100.6	9.9	0.2	—	0.3	219.8	183.9	8.5	—	I-IX-1953	VIII
4.2	—	—	11.2	17.6	17.8	15.8	10.3	18.6	56.6	108.3	11.7	8.2	0.9	1.0	282.9	286.6	9.3	0.2	I-IX-1954	
3.1	6.8	7.7	5.0	5.9	22.0	8.3	13.6	11.4	62.4	102.0	21.3	12.2	2.5	0.7	352.8	261.8	11.1	0.1	I-IX-1955	
474.2	171.9	97.7	647.4	540.5	785.1	795.2	497.6	264.0	316.5	335.8	1 468.3	2 108.2	289.2	312.4	11 606.6	11 204.3	1 737.1	2 044.6	I-IX-1953	IX
431.2	150.4	135.2	738.7	571.8	920.0	875.9	562.2	314.1	361.9	403.6	1 697.9	2 480.5	347.5	355.8	12 770.1	12 483.4	1 517.3	2 237.4	I-IX-1954	
470.3	168.0	127.8	735.4	629.5	1 027.6	983.3	621.3	350.4	445.0	464.7	2 197.7	2 930.1	486.8	396.0	14 791.2	14 342.1	1 739.7	2 982.7	I-IX-1955	
93.7	120.1	20.4	32.7	29.9	98.5	76.3	59.4	47.2	22.7	30.8	298.4	215.8	58.1	24.9	2 429.1	1 619.4			I-IX-1953	X
66.9	69.4	15.6	37.0	42.3	101.6	57.0	60.6	38.5	18.3	27.7	365.4	211.8	42.0	20.7	2 509.2	1 387.7			I-IX-1954	
72.0	133.4	17.8	59.9	45.0	141.1	53.0	71.9	38.6	28.4	32.0	545.0	271.9	67.6	24.3	3 524.0	1 583.8			I-IX-1955	
2.4	9.2	—	0.3	1.6	3.8	7.5	30.9	1.8	1.1	0.5	70.0	21.5	3.8	2.0	956.3	454.1	1 832.6	2 272.0	I-IX-1953	XI
3.4	0.1	0.1	0.3	2.3	2.5	6.3	29.5	1.4	2.1	0.5	60.9	30.1	3.5	2.0	774.3	390.2	1 760.5	2 020.4	I-IX-1954	
3.5	0.1	0.4	1.6	2.8	7.5	8.3	33.2	1.8	2.6	0.2	81.9	37.1	6.2	1.9	1 035.8	418.4	1 940.9	2 296.3	I-IX-1955	
23.8	4.0	1.6	27.4	27.3	102.7	68.2	27.8	14.4	29.4	12.5	234.7	285.8	23.8	15.0	1 627.4	1 109.2	2 664.0	2 127.9	I-IX-1953	XII
41.0	5.1	6.2	47.4	36.0	102.1	86.2	28.3	23.7	44.5	22.2	373.7	364.1	15.0	19.9	1 820.0	1 373.6	2 548.0	2 320.9	I-IX-1954	
35.8	13.6	8.3	40.8	34.6	101.6	76.3	34.9	26.4	48.6	30.7	477.8	357.6	23.0	21.6	1 904.7	1 440.7	2 414.4	2 284.8	I-IX-1955	
10.1	9.6	0.8	5.5	15.9	69.6	54.1	19.0	26.1	6.8	9.2	348.7	222.4	19.4	12.3	4 795.2	3 149.0	856.2	621.6	I-IX-1953	XIII
12.5	11.1	1.6	8.1	16.5	75.5	66.0	17.4	32.4	11.1	12.1	371.8	282.9	21.3	21.5	4 901.7	3 596.7	778.8	653.1	I-IX-1954	
10.0	11.3	1.7	7.2	19.4	81.0	73.8	20.7	33.2	11.3	16.0	496.9	361.1	28.2	29.9	5 270.3	3 817.7	881.8	762.3	I-IX-1955	
43.7	0.4	1.5	4.8	8.6	49.5	11.0	15.2	4.1	3.3	1.9	112.2	48.6	2.2	8.2	1 618.9	1 600.8	278.8	224.4	I-IX-1953	XIV
41.8	1.1	1.7	4.9	9.6	38.9	13.9	15.0	4.1	3.1	2.6	114.8	71.0	3.5	7.3	1 750.5	1 708.6	329.4	224.6	I-IX-1954	
38.8	1.4	2.2	2.1	10.0	42.9	14.9	16.9	4.7	3.9	2.8	149.1	77.4	8.8	7.0	1 803.5	1 712.5	362.6	197.5	I-IX-1955	
55.2	1.8	5.1	9.7	13.6	33.1	42.7	13.1	15.3	10.1	14.8	205.2	200.9	6.2	13.5	1 139.9	1 121.8	855.2	1 213.6	I-IX-1953	XV
38.5	3.4	6.5	12.1	11.8	36.1	32.6	14.2	12.2	11.7	14.2	225.4	295.5	9.2	17.7	1 210.7	1 172.9	768.6	1 262.5	I-IX-1954	
27.1	18.6	9.4	14.5	11.9	50.5	31.5	15.6	16.6	14.5	23.3	253.1	318.4	10.3	20.1	1 332.6	1 313.3	933.6	1 289.9	I-IX-1955	
228.9	145.1	29.4	80.4	96.9	357.2	259.8	165.4	108.9	73.4	69.7	1 269.2	995.0	113.5	75.9	12 566.8	9 054.3	6 486.8	6 459.5	I-IX-1953	XVI
204.1	90.2	31.7	109.8	118.5	356.7	262.0	165.0	112.3	90.8	79.3	1 512.0	1 255.4	94.5	89.1	12 966.4	9 629.7	6 185.3	6 481.5	I-IX-1954	
187.2	178.4	39.8	126.1	123.7	424.6	257.8	193.2	121.3	109.3	105.0	2 003.8	1 423.5	144.1	104.8	14 870.9	10 286.4	6 533.3	6 830.8	I-IX-1955	
703.1	317.0	127.1	727.8	637.4	1 142.3	1 055.0	663.0	372.9	389.9	405.5	2 737.5	3 103.2	402.7	388.3	24 173.4	20 258.6	8 223.9	8 504.1	I-IX-1953	XVII
635.3	240.6	166.9	848.5	690.3	1 276.7	1 137.9	727.2	426.4	452.7	482.9	3 209.9	3 735.9	442.0	444.9	25 736.5	22 113.1	7 702.6	8 718.9	I-IX-1954	
657.5	346.4	167.6	861.5	753.2	1 452.2	1 241.1	814.5	471.7	554.3	569.7	4 201.5	4 353.6	630.9	500.8	29 662.1	24 628.5	8 273.0	9 813.5	I-IX-1955	
109.0	129.5	20.5	34.6	38.3	138.1	111.6	101.5	57.0	27.5	34.8	469.7	346.0	71.2	31.3	3 945.3	2 582.7	3 701.6	4 196.5	I-IX-1953	XVIII
82.5	69.5	15.7	42.2	55.1	140.6	90.3	101.7	47.5	22.8	31.4	562.7	402.0	49.3	27.7	3865.1	2 372.8	3 701.2	3 998.9	I-IX-1954	
90.8	134.3	18.3	68.2	57.1	203.5	88.2	124.6	47.7	37.3	35.2	856.0	501.8	78.5	32.9	5327.0	2 656.4	3 816.0	4 362.9	I-IX-1955	

.o.b. [d] Exports excluding special categories.

TABLE VII. — Trade of nineteen European countries and the United States with overseas countries

Millions of current dollars ; imports c.i.f. ; exports f.o.b. ; January-September of each year

Area of origin	IMPORTS																	
	United Kingdom [a]			France [b]			Western Germany			Other western European countries [c]			Total of nineteen western European countries			United States [d]		
	1953 I-IX	1954 I-IX	1955 I-IX	1953 I-IX	1954 I-IX	1955 I-IX	1953 I-IX	1954 I-IX	1955 I-IX	1953 I-IX	1954 I-IX	1955 I-IX	1953 I-IX	1954 I-IX	1955 I-IX	1953 I-IX	1954 I-IX	1955 I-IX
XII. Latin American Republics	529.0	492.5	501.5	177.1	193.4	137.3	234.7	373.7	477.8	686.6	760.4	788.1	1627.4	1820.0	1904.7	2664.0	2548.0	2414.4
Argentina	203.6	176.1	179.0	50.8	43.9	27.0	32.5	86.0	88.7	147.7	195.7	147.5	434.6	501.7	442.2	155.3	84.9	101.4
Brazil	57.2	79.7	64.4	57.5	83.9	52.7	55.3	112.7	83.2	198.9	239.4	229.8	368.9	515.7	430.1	538.8	469.2	419.9
Chile	13.3	26.6	47.9	8.1	6.6	5.6	19.6	24.6	60.2	26.7	27.4	40.8	67.7	85.2	154.5	211.7	164.3	144.5
Colombia	0.6	0.3	4.4	2.2	2.6	3.0	16.6	28.4	34.1	23.2	32.5	38.7	42.6	63.8	80.2	352.1	412.7	293.9
Cuba	75.5	33.2	17.0	13.7	5.5	4.2	16.1	1.5	18.4	46.1	27.8	41.4	151.4	68.0	81.0	373.3	346.0	315.0
Mexico	4.8	5.8	13.5	4.1	5.1	4.5	19.4	30.4	61.1	32.4	32.8	39.5	60.7	74.1	118.6	275.5	260.9	311.0
Peru	19.6	32.6	26.7	6.8	8.1	7.8	8.6	10.4	19.3	19.4	23.7	29.2	54.4	74.8	83.0	57.1	77.4	71.9
Uruguay	78.1	42.7	24.0	9.3	9.0	6.6	21.9	16.1	11.8	57.1	38.0	33.8	166.4	105.8	76.2	45.7	23.2	15.1
Venezuela	21.1	36.9	61.6	17.6	21.1	15.0	14.2	13.7	22.3	68.0	70.4	99.0	120.9	142.1	197.9	327.0	363.9	426.6
Other Latin America	55.2	58.6	63.0	7.0	7.6	10.9	30.5	49.9	78.7	67.1	72.7	88.4	159.8	188.8	241.0	327.5	345.5	315.1
XIII. Overseas sterling area (including British colonies)	2900.5	2927.4	3058.1	619.6	642.4	660.5	348.7	371.8	496.9	926.4	960.1	1054.8	4795.2	4901.7	5270.3	856.2	778.8	881.8
Africa :																		
British East Africa	71.4	65.0	65.5	7.3 ⧗	7.4 ⧗	5.2	23.2	25.0	26.0	23.1 ⧗	25.8 ⧗	28.7	125.0 ⧗	123.2 ⧗	125.4	28.3 ⧗	26.0 ⧗	38.7
British West Africa	316.0	337.9	308.3	1.3	12.7	21.7	33.5	50.1	53.8	40.1	61.1	76.0	390.9	461.8	459.8	84.3	82.6	69.7
Federation of Rhodesia and Nyasaland	168.6	177.7	201.6	.. ⧗	0.5 ⧗	8.7	7.7	14.1	15.9	16.1 ⧗	17.2 ⧗	21.4	192.4 ⧗	209.5 ⧗	247.6	49.6 ⧗	36.3 ⧗	43.7
Union of South Africa	150.3	184.2	170.1	38.7 ⧗	44.1 ⧗	37.2	54.5	39.7	46.2	91.8	88.0	87.9	335.3 ⧗	356.0 ⧗	341.4	58.9	62.3	66.9
Asia :																		
Bahrein, Kuwait, Qatar & Tr. Oman	303.5	325.8	313.2	149.0	132.9	135.5	7.6	17.1	21.6	155.4	158.8	161.2	615.5	634.6	631.5	47.4	52.1	70.1
Burma	18.0	14.3	17.6	0.4	0.9	0.9	1.1	1.1	2.4	4.8	3.8	6.3	24.3	20.1	27.2	2.6	2.2	1.1
Ceylon	64.3	83.2	87.8	2.5	2.2	4.1	11.0	7.2	13.6	14.4	16.2	18.4	92.2	108.8	123.9	25.4	23.7	27.2
Hong Kong	18.1	22.5	33.8	0.3	0.3	1.0	0.1	0.3	1.5	7.9	5.6	5.2	26.4	28.7	41.5	10.3	8.4	10.9
India	213.8	280.5	324.4	12.1	11.1	16.4	30.1	24.1	48.6	53.0	48.4	71.2	309.0	364.1	460.6	175.9	156.0	171.9
Iraq	142.8	91.4	67.8	143.3	169.7	163.7	28.9	29.3	40.0	112.9	136.5	165.7	427.9	426.9	437.2	10.6	10.2	13.3
Malaya and Singapore	134.6	107.0	160.1	35.1	41.2	63.5	33.9	33.2	56.8	61.3	72.5	84.6	264.9	253.9	365.0	170.0	123.4	177.7
Pakistan	62.7	53.9	61.9	29.9	22.9	24.3	28.5	22.6	23.4	52.0	43.6	42.5	173.1	143.0	152.1	19.7	18.6	22.9
Oceania :																		
Australia	631.6	516.4	567.9	146.6	141.6	127.0	49.5	61.4	78.9	210.9	197.0	167.9	1038.6	916.4	941.7	98.4	89.1	96.7
New Zealand	378.3	401.3	401.6	51.6	53.1	49.7	19.8	19.2	32.5	39.3	37.0	39.8	489.0	510.6	523.6	50.0	36.9	30.6
Other overseas sterling area	226.5	266.3	276.5	1.5	1.8	1.6	19.3	27.4	35.7	43.4	48.6	78.0	290.7	344.1	391.8	24.8	51.0	40.4
XIV. Affiliated overseas areas (excluding the sterling area)	191.2	206.3	214.2	828.8	925.8	918.6	112.2	114.8	149.1	486.7	503.6	521.6	1618.9	1750.5	1803.5	278.8	329.4	362.6
Belgian Congo and Ruanda Urundi	10.7	11.3	11.6	26.2	26.1	37.4	33.9	30.2	25.5	144.1	169.7	194.1	214.9	237.3	268.6	60.6	66.8	75.0
Netherlands Antilles and Surinam	63.1	77.7	70.6	0.3	2.4	7.2	3.5	6.0	15.8	118.9	84.5	81.0	185.8	170.6	174.6	129.2	132.3	170.9
French North Africa	72.6	67.3	72.8	394.3	419.0	446.9	32.4	33.6	47.1	72.3	79.0	88.7	571.6	598.9	655.5	11.6	15.9	16.4
French West and Equatorial Africa	7.8	11.9	13.9	247.6	295.9	256.9	14.7	21.0	27.4	35.2	41.7	46.1	305.3	370.5	344.3	11.8	41.5	39.1
Cambodia, Laos and Viet Nam	0.1	0.8	2.4	21.7	16.0	19.6	0.9	0.7	1.1	0.7	1.3	1.4	23.4	18.8	24.5	11.9	16.6	23.9
Portuguese overseas territories	5.5	3.8	5.5	6.0	7.6	9.1	18.8	16.9	20.1	59.0	70.4	54.7	89.3	98.7	89.4	42.1	40.9	25.0
Spanish overseas territories	29.4	30.9	34.1	2.5	1.5	2.5	6.5	4.6	9.2	47.6	48.1	45.7	86.0	85.1	91.5	1.7	3.0	2.3
Other affiliated overseas territories	2.0	2.6	3.3	130.2	157.3	139.0	1.5	1.8	2.9	8.9	8.9	9.9	142.6	170.6	155.1	9.9	12.4	10.0
XV. Other overseas countries	189.9	203.1	252.4	155.0	153.9	166.1	205.2	225.4	253.1	589.8	628.3	661.0	1139.9	1210.7	1332.6	855.2	768.6	933.6
China (including Taiwan)	27.7	21.2	26.6	8.5	7.0	7.5	25.0	26.5	35.5	53.3	21.0	30.9	114.5	75.7	100.5	12.0	9.5	10.6
Egypt	27.4	42.4	23.2	40.6	38.1	31.3	18.2	28.1	26.0	67.4	68.0	60.2	153.6	176.6	140.7	24.0	17.2	19.9
Indonesia	15.2	17.3	22.9	8.9	6.1	9.6	51.9	57.9	59.1	129.3	145.1	103.1	205.3	226.4	194.7	172.1	120.6	153.7
Iran	5.5	6.6	35.1	2.6	6.2	25.9	18.0	13.6	19.3	12.6	12.3	44.6	38.7	38.7	124.9	16.2	15.3	22.0
Israel	16.0	22.8	20.0	0.2	1.8	1.9	—	1.8	1.8	21.7	35.2	35.6	37.9	61.6	59.3	8.8	9.7	12.6
Japan	22.2	23.4	53.7	12.6	8.1	8.6	25.4	14.1	15.9	49.2	35.0	70.3	109.4	80.6	148.5	198.1	198.2	288.5
Liberia	4.7	3.0	4.3	—	—	—	3.1	2.1	5.8	2.5	3.3	3.8	10.3	8.4	13.9	20.2	18.0	26.5
Philippines	5.0	4.0	4.2	1.8	1.2	1.0	5.7	13.3	16.2	20.1	34.1	35.6	32.6	52.6	57.0	218.6	215.5	217.0
Saudi Arabia	5.4	1.6	8.5	55.5	61.2	44.5	30.8	40.8	47.0	124.8	127.2	136.4	216.5	230.8	236.4	51.6	45.1	42.5
Sudan, Anglo-Egyptian	38.2	44.3	30.3	5.7	6.2	10.6	15.9	7.8	8.7	8.5	12.9	14.1	68.3	71.2	63.7	2.3	3.6	2.6
Syria and Lebanon	15.0	7.1	12.8	14.8	15.2	21.9	6.7	14.6	9.0	60.9	89.4	75.7	97.4	126.3	119.4	9.2	8.8	11.7
Thailand	1.3	5.1	5.4	1.0	0.3	0.3	0.3	1.9	3.1	6.4	9.7	13.4	9.0	17.0	22.2	58.0	39.5	72.6
Rest of other overseas countries	6.3	4.3	5.4	2.8	2.5	3.0	4.2	2.9	5.7	33.1	35.1	37.3	46.4	44.8	51.4	64.1	67.6	53.4
TOTAL OVERSEAS COUNTRIES (excluding U.S. and Canada)	3810.6	3829.3	4026.2	1780.5	1915.5	1882.5	900.8	1085.7	1376.9	2689.5	2852.4	3025.5	9181.4	9682.9	10311.1	4654.2	4424.8	4592.4

Area of destination	United Kingdom [e]			France [b]			Western Germany			Other western European countries [c]			Total of nineteen western European countries			United States [f]		
	1953 I-IX	1954 I-IX	1955 I-IX	1953 I-IX	1954 I-IX	1955 I-IX	1953 I-IX	1954 I-IX	1955 I-IX	1953 I-IX	1954 I-IX	1955 I-IX	1953 I-IX	1954 I-IX	1955 I-IX	1953 I-IX	1954 I-IX	1955 I-IX
XII. Latin American Republics	216.3	231.9	237.5	164.9	179.7	188.2	285.8	364.1	357.6	442.2	597.9	657.4	1109.2	1373.6	1440.7	2127.9	2320.9	2284.8
Argentina	24.1	45.1	51.1	11.4	29.4	54.0	69.2	58.6	62.5	64.6	94.0	152.1	169.3	227.1	319.7	75.2	81.1	113.0
Brazil	38.1	17.1	13.4	72.8	56.9	54.1	64.6	102.2	57.9	113.4	195.8	178.1	288.9	372.0	303.5	214.9	346.0	173.9
Chile	9.5	7.5	9.3	4.1	12.2	6.9	17.8	18.3	22.4	14.4	21.1	20.9	45.8	59.1	59.5	63.7	48.9	62.6
Colombia	16.5	19.2	18.2	26.5	18.5	11.4	23.0	37.3	43.5	36.6	44.6	40.5	102.6	119.6	113.6	204.8	243.6	237.4
Cuba	8.4	8.6	10.4	5.3	4.0	5.0	7.7	10.5	12.1	28.3	26.5	31.2	49.7	49.6	58.7	313.3	308.0	326.8
Mexico	14.1	12.1	14.5	10.1	8.9	6.9	22.9	22.9	27.0	39.6	39.6	42.8	86.7	83.5	91.2	453.5	467.2	501.5
Peru	14.8	13.7	18.4	3.3	7.9	6.6	11.0	11.1	15.8	20.0	19.7	24.5	49.1	52.4	65.3	92.5	68.7	82.5
Uruguay	14.1	27.8	16.4	10.8	13.7	7.6	15.4	17.9	12.4	17.1	29.5	29.8	57.4	88.9	66.2	16.7	26.0	28.5
Venezuela	45.9	47.6	48.3	12.4	16.7	20.6	23.3	38.9	53.5	54.2	73.8	77.2	135.8	177.0	199.6	371.4	386.1	389.0
Other Latin America	30.8	33.2	37.5	8.2	11.5	15.1	30.9	46.4	50.5	54.0	53.3	60.3	123.9	144.4	163.4	321.9	345.3	369.6
XIII. Overseas sterling area (including British colonies)	2282.2	2546.8	2646.0	111.5	122.3	140.1	222.4	282.9	361.1	532.9	644.7	670.5	3149.0	3596.7	3817.7	621.6	653.1	762.3
Africa :																		
British East Africa	107.9	117.9	130.8	4.6 ⧗	7.3 ⧗	11.4	5.2	11.1	16.4	15.5 ⧗	23.6 ⧗	30.4	133.2 ⧗	159.9 ⧗	189.0	9.5 ⧗	4.2 ⧗	7.3
British West Africa	200.1	189.6	218.3	4.6	4.6	6.4	17.8	26.1	24.0	42.0	48.7	51.9	264.5	269.0	300.6	13.1	10.0	14.2
Federation of Rhodesia and Nyasaland	102.3	105.5	109.2	.. ⧗	0.1 ⧗	0.7	1.1	2.5	3.7	1.7 ⧗	3.9 ⧗	8.0	105.1 ⧗	112.0 ⧗	121.6	6.5 ⧗	8.0 ⧗	8.7
Union of South Africa	335.8	332.8	354.5	15.4 ⧗	15.7 ⧗	13.3	49.9	47.2	53.2	86.6	94.0	107.3	487.7 ⧗	489.7 ⧗	528.3	163.6	173.7	204.3
Asia :																		
Bahrein, Kuwait, Qatar & Tr. Oman	58.6	46.9	38.3	15.0	9.8	4.1	2.4	3.1	3.7	12.2	11.8	12.5	88.2	71.6	58.6	18.2	17.3	17.2
Burma	38.8	47.8	46.9	0.6	0.8	1.0	3.1	10.5	8.4	11.5	16.0	13.8	54.0	75.1	70.1	5.2	2.3	3.2
Ceylon	51.0	41.2	44.3	2.8	5.5	7.3	4.8	3.1	3.4	16.3	13.5	12.4	74.9	63.3	67.4	5.5	4.4	5.2
Hong Kong	56.7	50.0	51.7	6.4	3.9	4.4	23.3	15.0	13.3	30.9	32.3	25.7	117.3	101.2	95.1	25.6	32.2	36.9
India	236.7	249.4	264.4	19.6	25.8	34.4	44.7	57.3	97.8	92.1	110.3	104.3	393.1	442.8	500.9	121.6	113.7	129.2
Iraq	61.3	52.8	51.7	4.6	2.6	7.2	6.6	11.4	14.5	17.2	20.9	25.6	89.7	87.7	99.0	14.1	20.5	24.9
Malaya and Singapore	151.4	137.4	148.4	5.7	7.6	7.9	11.0	11.2	15.3	40.6	48.8	49.8	208.7	205.0	221.4	23.2	21.6	25.6
Pakistan	53.3	103.8	76.6	7.4	15.5	7.8	14.5	19.7	22.2	32.0	35.1	22.3	107.2	174.1	128.9	52.9	23.8	39.7
Oceania :																		
Australia	417.8	590.4	603.5	16.9	16.0	24.6	25.3	43.6	52.2	68.1	108.9	123.6	528.1	758.9	803.9	87.2	131.2	142.1
New Zealand	193.0	262.6	286.2	4.5	3.4	3.3	3.9	9.5	13.7	16.3	19.7	22.4	217.7	295.2	325.6	23.1	31.7	38.6
Other overseas sterling area	217.5	218.7	221.2	3.4	3.7	6.3	8.8	11.6	19.3	49.9	57.2	60.5	279.6	291.2	307.3	52.3	53.5	65.2
XIV. Affiliated overseas areas (excluding the sterling area)	107.7	114.2	121.3	1082.4	1147.7	1121.0	48.6	71.0	77.4	362.1	375.7	392.8	1600.8	1708.6	1712.5	224.4	224.6	197.5
Belgian Congo and Ruanda Urundi	15.6	17.0	18.9	8.2	8.0	9.2	9.1	15.0	15.3	121.2	119.0	118.5	154.1	159.0	161.9	45.5	36.8	38.3
Netherlands Antilles and Surinam	12.1	21.4	27.0	1.6	1.0	1.4	1.8	2.3	2.8	21.1	21.2	28.8	36.6	45.9	60.0	70.2	52.9	46.9
French North Africa	21.1	20.7	20.0	568.4	606.0	646.7	14.7	18.1	21.9	64.0	69.3	81.1	668.2	714.1	769.7	38.8	44.5	38.5
French West and Equatorial Africa	14.6	16.9	17.6	189.5	240.3	237.6	7.0	11.5	10.2	22.2	23.9	24.2	233.3	292.6	289.6	10.8	13.9	18.6
Cambodia, Laos and Viet Nam	7.0	2.8	2.7	200.2	164.4	99.3	2.0	1.2	2.8	7.1	5.6	6.0	216.3	174.0	110.8	27.7	41.9	20.7
Portuguese overseas territories	19.1	21.4	21.1	4.7	5.4	3.7	9.3	16.3	16.7	56.0	63.2	62.7	89.1	106.3	104.2	18.6	22.4	17.4
Spanish overseas territories	11.6	9.0	8.8	3.4	3.9	3.4	2.2	3.7	5.2	46.9	50.2	48.8	64.1	66.8	66.2	4.6	4.3	7.3
Other affiliated overseas territories	6.6	5.0	5.2	106.4	118.7	119.7	2.5	2.9	2.5	23.6	23.3	22.7	139.1	149.9	150.1	8.2	7.9	9.8
XV. Other overseas countries	281.3	272.9	315.0	127.0	143.4	156.6	200.9	295.5	318.4	512.6	461.1	523.3	1121.8	1172.9	1313.3	1213.6	1262.5	1289.9
China (including Taiwan)	15.1	16.0	18.5	11.8	7.5	5.0	20.5	17.3	25.8	37.8	24.6	41.5	85.2	65.4	90.8	58.4	73.0	82.8
Egypt	42.2	45.3	60.4	44.7	40.3	51.0	41.2	33.3	40.1	91.9	89.3	104.7	220.0	208.2	256.2	50.0	28.5	61.6
Indonesia	28.9	21.2	21.6	4.1	6.0	9.0	30.9	31.4	34.0	103.5	83.3	89.0	167.4	141.9	153.6	79.9	56.7	54.7
Iran	10.1	16.4	32.7	3.3	4.9	9.6	18.8	35.7	32.1	17.5	19.1	25.7	49.7	76.1	100.1	15.5	36.0	42.3
Israel	17.3	14.2	18.2	3.8	3.9	5.7	6.4	38.4	42.3	50.1	38.3	40.7	77.6	94.8	106.9	52.5	55.4	63.2
Japan	37.1	26.7	27.1	18.1	13.8	9.7	25.6	32.2	30.7	68.8	60.8	49.1	149.6	133.5	116.6	447.1	542.4	472.3
Liberia	17.2	18.8	13.5	—	18.9	4.9	6.8	36.8	32.4	3.4	3.7	9.1	27.4	78.2	59.9	12.6	56.7	11.8
Philippines	4.4	7.1	9.6	1.6	2.7	4.4	3.0	6.5	8.3	11.0	14.3	13.6	20.0	30.6	35.9	264.7	233.0	245.9
Saudi Arabia	11.8	12.7	15.6	4.7	3.0	3.7	2.4	6.0	8.5	12.6	12.6	22.4	31.5	34.3	50.2	65.2	32.3	54.8
Sudan, Anglo-Egyptian	36.8	31.1	27.8	3.2	4.5	2.9	5.1	4.1	3.2	9.3	11.0	9.0	54.4	50.7	42.9	1.5	0.7	1.1
Syria and Lebanon	21.4	25.7	34.0	24.4	32.8	40.2	20.0	25.5	30.0	41.8	47.9	58.7	107.6	131.9	162.9	29.4	37.7	47.4
Thailand	31.9	25.7	24.8	3.7	2.4	3.7	12.4	17.7	14.7	27.8	26.1	24.6	75.8	71.9	67.8	42.9	33.3	36.9
Rest of other overseas countries	7.1	12.0	11.2	3.6	2.7	6.8	7.8	10.6	16.3	37.1	30.1	35.2	55.6	55.4	69.5	93.9	76.8	115.1
TOTAL OVERSEAS COUNTRIES (excluding U.S. and Canada)	2887.5	3165.8	3319.8	1485.8	1593.1	1605.9	757.7	1013.5	1114.5	1849.8	2079.4	2244.0	6980.8	7851.8	8284.2	4187.5	4461.1	4534.5

Sources and methods : See Appendix C.

[a] General imports. [b] Excluding non-monetary gold; see Appendix C. [c] Austria, Belgium-Luxembourg, Denmark, Finland, Greece, Iceland, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey and Yugoslavia. [d] Imports f.o.b. [e] Excluding re-exports. [f] Exports excluding special categories.

TABLE VIII

Exports of ten western European countries and the United States by commodity groups

Millions of current dollars, f.o.b.

Exporting country and period / Commodity groups	SITC Code	United Kingdom			France			Western Germany			Italy			Belgium-Luxembourg			Netherlands		
		January-September			January-September			January-September			January-September			January-September			January-September		
		1953	1954	1955	1953	1954	1955	1953	1954	1955	1953	1954	1955	1953	1954	1955	1953	1954	1955
1. Food, drink and tobacco	0, 1, 92	316.4	336.6	357.6	311.2	419.9	518.9	65.5	76.7	106.6	247.6	281.7	288.1	70.3	63.6	69.7	510.8	541.8	589.2
of which :																			
Live animals and meat	00, 01	..	..	..	19.7	40.0	55.1	..	..	..	..	..	..	..	..	..	87.6	98.8	116.7
Dairy products	02	..	..	..	21.5	22.9	32.9	..	..	..	..	..	..	..	..	..	195.5	192.2	197.3
Cereals and preparations	04	19.5	25.8	24.3	54.8	92.6	148.5	..	..	..	46.2	34.9	22.0	..	..	..	25.0	21.0	20.6
Fruit	051-053	..	..	..	14.2	14.5	15.4	..	..	..	102.7	119.6	133.7	..	..	..	18.8	21.3	18.7
Vegetables	054, 055	..	..	..	22.1	24.1	27.5	..	..	..	51.1	72.9	74.8	..	..	..	61.4	61.8	80 6
Beverages	11	91.6	93.6	100.4	97.4	102.4	102.0	..	..	..	16.9	19.0	20.3	..	..	..	11.0	12.2	13.3
2. Mineral fuels and petroleum products	3	302.4	321.8	287.9	262.7	241.9	288.5	363.0	390.8	400.0	98.8	134.2	121.1	108.3	100.6	135.6	138.5	187.1	223.3
3. Metalliferous ores and base metals	28,68	414.2	407.5	462.3	442.2	426.1	591.7	344.7	371.4	437.2	48.6	39.9	68.0	546.3	503.0	648.7	123.4	120.3	148.6
of which :																			
Ores and scrap	28	..	..	..	46.4	60.9	67.2	..	..	..	..	..	..	..	..	..	..	..	..
Iron and steel	681	280.2	287.5	318.6	361.0	330.0	490.8	237.8	264.2	306.9	29.3	22.1	48.2	384.3	345.5	464.7	..	..	..
4. Oilseeds, fats and oils	22, 4	13.6	14.9	23.4	20.7	11.8	9.9	10.4	14.7	19.5	7.5	7.9	5.9	16.2	13.0	18.5	32.5	39.7	29.7
5. Textile fibres, natural	26 less 266	147.0	150.9	156.7	100.2	106.5	104.9	15.7	18.4	22.1	20.1	20.9	18.8	96.8	91.6	99.5	24.7	27.6	33.5
6. Selected construction materials	661, 662, 664, 81	92.4	91.8	106.9	42.6	40.8	46.0	65.8	58.5	71.7	7.0	6.4	8.0	59.2	62.0	74.2	13.1	14.6	18.1
7. Other raw materials	21, 23, 24, 25, 27, 29	31.6	34.8	37.0	86.3	96.3	125.2	39.4	52.3	55.3	35.3	36.6	50.1	28.9	28.4	35.3	60.2	66.8	77.3
8. Metal manufactures	69	294.2	318.2	336.5	79.8	80.9	88.7	161.5	195.4	223.7	25.1	29.4	35.3	87.7	68.1	94.0	33.1	29.0	31.9
9. Power generating (except electric) machinery	711	153.9	173.3	194.5	30.8	29.6	32.1	85.0	90.0	99.8	18.0	24.1	26.5	8.8	8.8	12.9	11.6	10.7	13.9
10. Agricultural machinery	712	33.9	36.2	39.7	9.9	10.5	10.0	24.8	29.8	34.8	1.2	0.9	1.0	2.0	3.0	3.4	0.9	1.4	1.7
11. Metal-working, mining, construction and other industrial machinery	714-716	546.2	556.7	583.3	149.7	140.6	153.3	546.9	593.8	657.6	70.8	68.4	83.5	55.7	53.0	57.9	37.0	44.3	54.5
12. Electric machinery	721	358.3	362.2	390.2	84.7	102.8	105.6	188.3	262.1	314.9	24.1	28.6	29.0	44.9	46.3	56.9	88.6	113.0	130.8
13. Tractors, other than steam	713	88.9	105.6	128.7	6.3	9.1	10.8	39.3	39.6	55.2	14.7	5.5	16.4	0.1	0.1	0.1	0.2	0.3	0.4
14. Railway vehicles	731	83.2	97.0	85.3	27.7	30.9	37.4	37.8	44.5	39.9	7.4	10.1	3.5	26.6	31.1	19.6	18.1	17.9	14.4
15. Road motor vehicles	732	462.3	530.6	556.8	131.8	163.5	173.4	187.8	282.6	406.3	55.0	62.2	90.2	20.4	24.9	36.2	10.3	11.1	11.1
16. Other vehicles	733-735	221.4	212.6	246.2	27.9	50.2	51.9	62.3	113.9	127.2	8.6	18.8	14.5	12.5	31.4	38.1	71.8	80.1	75.3
17. Chemicals	5	361.7	422.5	481.8	203.0	243.7	259.2	332.4	436.1	493.7	65.0	85.6	97.6	116.6	130.7	137.3	109.7	122.1	140.9
18. Textile manufactures and clothing	266, 65, 84	740.7	769.0	755.4	359.7	399.9	386.3	183.1	240.5	279.1	230.8	243.2	244.6	217.1	236.2	238.1	156.3	165.6	172.8
of which :																			
Textile yarns (incl. synthetic)	266, 651	134.1	138.3	128.2	98.6	114.4	120.9	39.5	51.8	65.5	63.2	73.5	77.4	81.2	85.1	82.4	36.7	41.0	44.3
Cotton fabrics	652	181.7	178.8	153.9	95.6	103.7	83.1	48.1	49.4	59.5	30.5	27.1	24.9	31.8	35.7	34.1	46.4	46.5	48.8
Other fabrics	65 less 651, 652	349.9	377.2	382.2	136.5	147.0	141.7	76.3	106.6	115.1	107.5	112.0	111.1	88.2	98.2	100.1	51.7	57.5	58.5
19. Paper, manufactures of wood and paper (excluding furniture)	63, 64	63.2	74.2	82.1	49.6	62.4	71.3	24.4	38.2	46.6	11.4	12.7	17.3	13.6	16.8	19.3	28.0	34.7	40.4
20. All other commodities	8 less 81, 84; 61, 62, 67, 91, 93, 663, 665, 666	567.1	604.7	630.7	313.5	348.7	369.5	312.9	396.8	490.1	60.0	91.5	127.8	119.1	139.7	184.1	88.3	103.0	127.3
of which :																			
Instruments and watches	861, 864	33.8	40.1	42.7	..	..	..	99.3	117.6	141.8	..	..	..	..	..	..	..	..	..
TOTAL EXPORTS		5 292.6	5 621.1	5 943.0	2 740.3	3 016.1	3 434.6	3 091.0	3 746.1	4 381.3	1 057.0	1 208.6	1 347.2	1 651.1	1 652.3	1 979.4	1 557.1	1 731.1	1 935.1

Exporting country and period / Commodity groups	SITC Code	Norway			Sweden			Denmark			Austria			Total of countries listed [a]			United States [b]		
		January-September			January-September			January-September			January-September			January-September			January-September		
		1953	1954	1955	1953	1954	1955	1953	1954	1955	1953	1954	1955	1953	1954	1955	1953	1954	1955
1. Food, drink and tobacco	0, 1, 92	74.3	96.9	104.3	54.2	65.5	40.3	469.6	495.9	510.2	6.4	16.2	8.3	2 126.3	2 394.8	2 593.2	1515.2	1227.3	(1500)
of which :																			
Live animals and meat	00, 01	..	..	..	..	..	..	214.7	231.6	261.0	..	..	..	..	..	..	..	..	..
Dairy products	02	..	..	..	..	..	..	188.4	199.6	184.8	..	..	..	..	..	..	70.7	72.2	..
Cereals and preparations	04	..	..	..	..	..	..	19.2	12.3	13.0	..	..	..	..	..	..	813.9	541.0	..
Fruit	051-053	..	..	..	..	..	..	2.5	1.3	2.5	..	..	..	..	..	..	110.1	134.4	(130)
Vegetables	054, 055	..	..	..	..	..	..	7.6	3.3	2.5	..	..	..	..	..	..	70.7	65.2	(75)
Beverages	11	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
2. Mineral fuels and petroleum products	3	1.5	1.2	1.5	1.0	1.6	1.4	0.3	0.3	0.8	9.1	10.0	9.3	1 285.6	1 389.5	1 469.4	774.5	699.7	(670)
3. Metalliferous ores and base metals	28,68	89.3	82.1	103.7	215.6	193.7	213.8	13.4	14.0	16.9	83.5	76.5	90.7	2 321.2	2 234.5	2 781.6	384.4	471.0	(870)
of which :																			
Ores and scrap	28	13.8	13.7	15.7	137.9	113.0	125.8	..	..	..	3.0	2.5	1.7	..	..	..	..	..	..
Iron and steel	681	29.4	20.4	29.8	56.8	54.1	68.3	..	..	..	65.1	61.5	73.9	..	..	..	..	..	..
4. Oilseeds, fats and oils	22, 4	22.3	32.1	25.4	13.6	10.9	13.9	5.5	6.8	7.3	—	—	—	142.3	151.8	153.5	138.5	257.2	(270)
5. Textile fibres, natural	26 less 266	1.7	1.9	1.6	3.7	3.2	3.9	2.2	2.6	2.6	0.9	1.5	1.6	413.0	425.1	445.2	414.4	604.0	(440)
6. Selected construction materials	661, 662, 664, 81	0.4	0.4	0.6	12.4	10.6	11.8	7.6	4.8	7.7	18.9	15.3	16.7	319.4	305.2	361.7	102.8	94.7	(110)
7. Other raw materials	21, 23, 24, 25, 27, 29	68.5	75.1	81.1	331.9	355.8	412.8	21.1	24.3	27.3	93.2	113.2	130.7	796.4	883.6	1 032.1	211.0	281.5	..
8. Metal manufactures	69	2.0	5.0	6.6	48.9	52.7	58.3	5.8	9.0	9.5	19.9	21.4	23.9	758.0	809.1	908.4	199.0	199.2	..
9. Power generating (except electric) machinery	711	0.6	0.4	0.5	16.0	13.9	15.1	11.0	12.5	19.5	5.7	6.9	10.6	341.4	370.2	425.4	140.7	124.3	..
10. Agricultural machinery	712	0.1	0.1	0.2	10.3	13.2	12.2	3.1	4.1	5.2	0.6	0.5	0.8	86.8	99.7	109.0	116.5	103.3	(100)
11. Metal-working, mining, construction and other industrial machinery	714-716	3.8	4.3	5.4	84.3	89.1	94.9	31.5	38.6	46.1	16.5	16.0	17.5	1 542.4	1 604.8	1 754.0	1132.8	1076.5	(1130)
12. Electric machinery	721	1.3	1.8	3.0	40.0	43.1	45.5	14.0	17.9	21.9	11.1	11.8	13.4	855.3	989.6	1 111.2	420.8	391.2	..
13. Tractors, other than steam	713	—	—	—	2.6	2.9	3.6	0.1	—	—	2.8	2.2	2.5	155.0	165.3	217.7	234.9	213.2	(210)
14. Railway vehicles	731	—	—	—	1.3	1.9	0.5	0.4	0.2	—	3.9	5.7	3.5	206.4	239.3	204.1	76.0	97.0	(70)
15. Road motor vehicles	732	—	—	—	12.0	19.2	25.1	1.0	2.6	3.1	5.4	7.4	11.2	886.0	1 104.1	1 313.4	715.2	762.1	(900)
16. Other vehicles	733-735	18.9	19.1	24.6	53.6	77.7	79.8	14.7	9.3	18.4	1.4	2.7	3.5	493.1	615.8	679.5	115.9	173.5	(150)
17. Chemicals	5	34.9	41.7	43.9	20.7	24.0	25.3	17.4	17.2	18.7	19.0	22.6	22.6	1 280.4	1 546.2	1 721.0	593.6	735.0	(810)
18. Textile manufactures and clothing	266, 65, 84	7.5	7.3	7.0	11.3	14.1	14.8	11.2	11.7	13.6	37.2	46.8	55.5	1 954.9	2 134.3	2 167.2	438.5	412.1	(420)
of which :																			
Textile yarns (incl. synthetic)	266, 651	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Cotton fabrics	652	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	148.1	136.9	..
Other fabrics	65 less 651, 652	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
19. Paper, manufactures of wood and paper (excluding furniture)	63, 64	40.1	50.4	54.0	95.8	113.7	130.0	3.9	4.4	5.8	27.2	37.1	43.9	357.2	444.6	510.7	113.0	138.3	(170)
20. All other commodities	8 less 81, 84; 61, 62, 67, 91, 93, 663, 665, 666	5.5	6.7	8.2	25.1	31.0	38.1	10.7	12.8	17.0	25.4	30.9	34.6	1 527.6	1 765.8	2 027.4	666.6	683.8	..
of which :																			
Instruments and watches	861, 864	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
TOTAL EXPORTS		372.7	426.5	471.6	1 054.3	1 137.8	1 241.1	644.5	689.0	751.6	388.1	444.7	500.8	17 848.7	19 673.3	21 985.7	8 504.3	8 744.9	9 813.4

Sources : National trade statistics and *Foreign Trade Statistical Bulletins*, Series IV, OEEC.

[a] Including their trade with one another.

[b] Excluding special categories. Figures for January-September of 1953 and 1954 are not fully comparable with those of other countries. Figures for January-September of 1955 are estimates based on incomplete rearrangement of the national nomenclature.

Table IX

Imports of wheat (unmilled) into selected Western European countries by area of origin

Quantities in thousands of tons ; values in millions of current dollars, c.i.f.

Area of origin	Year July/June	IMPORTING COUNTRY															
		United Kingdom		France		Western Germany		Italy		Belgium-Luxembourg		Netherlands		Sweden		Total of countries listed	
		Q	V	Q	V	Q	V	Q	V	Q	V	Q	V	Q	V	Q	V
United States . .	1952/53	514	42.5	76	9.1	1 168	98.3	506	47.1	236	16.8	277	22.9	107	10.5	2 884	247.2
	1953/54	71	6.2	..	..	653	49.3	106	8.7	98	6.7	207	16.1	—	..	1 135	87.0
	1954/55	681	43.1	—	—	598	42.3	—	—	178	11.7	290	21.0	1	0.1	1 748	118.2
Canada	1952/53	2 932	235.4	83	8.8	751	63.3	258	22.5	462	31.7	368	29.7	32	3.2	4 886	394.6
	1953/54	2 209	181.0	15	1.2	555	47.9	118	9.4	368	25.7	331	26.8	—	..	3 596	292.0
	1954/55	2 422	190.4	—	—	578	45.9	6	0.5	365	25.5	307	23.2	—	—	3 678	285.5
Total of dollar area [a]	1952/53	3 446	277.9	159	17.9	1 919	161.6	764	69.6	698	48.5	645	52.6	139	13.7	7 770	641.8
	1953/54	2 281	187.2	16	1.3	1 208	97.2	224	18.1	466	32.4	538	42.9	—	..	4 733	379.1
	1954/55	3 103	233.5	—	—	1 176	88.2	6	0.5	543	37.2	597	44.2	1	0.1	5 426	403.7
Non-dollar Latin America	1952/53	—	—	—	—	—	—	51	5.6	—	—	—	—	—	—	51	5.6
	1953/54	342	26.8	1	0.1	323	24.3	220	23.1	129	9.0	95	7.3	—	..	1 110	90.6
	1954/55	434	32.0	—	—	497	36.8	310	24.1	95	6.6	33	2.3	9	0.7	1 378	102.5
Overseas sterling area	1952/53	542	44.9	—	—	63	5.4	15	1.2	—	—	73	6.0	9	0.8	702	58.3
	1953/54	362	28.9	..	..	88	7.0	34	3.1	—	—	19	1.6	21	1.8	524	42.4
	1954/55	486	35.7	—	—	185	13.7	38	4.2	1	0.1	27	2.0	—	—	737	55.7
Affiliated overseas areas [b]	1952/53	—	—	196	27.6	—	—	—	—	—	—	—	—	—	—	196	27.6
	1953/54	..	—	240	34.3	..	..	—	—	—	—	—	—	—	..	240	34.3
	1954/55	4	0.3	215	29.6	30	2.7	4	0.3	5	0.3	—	—	—	—	258	33.2
Other overseas countries	1952/53	—	—	5	0.8	19	2.1	35	3.8	—	—	—	—	—	—	59	6.7
	1953/54	22	2.2	2	0.2	58	5.9	22	2.3	6	0.4	3	0.3	—	..	113	11.3
	1954/55	11	1.0	1	0.1	70	6.9	19	2.0	5	0.5	3	0.3	1	0.1	110	10.9
Western Europe .	1952/53	22	2.3	45	6.6	225	19.0	207	24.1	2	0.3	19	1.8	—	—	520	54.1
	1953/54	311	22.6	1	0.1	574	44.3	80	6.3	46	3.3	15	0.9	—	..	1 027	77.5
	1954/55	573	38.3	—	—	783	54.6	29	2.2	5	0.4	14	0.9	—	—	1 404	96.4
Eastern Europe .	1952/53	—	—	—	—	62	6.7	100	12.3	—	—	54	6.1	84	10.8	300	35.9
	1953/54	49	3.6	..	..	135	12.7	24	2.6	101	6.9	162	15.4	9	0.8	480	42.0
	1954/55	46	3.1	—	—	144	11.5	98	10.3	29	1.8	29	2.0	1	0.1	347	28.8
Not allocated . .	1952/53	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	1953/54	2	—	1	0.1	1	0.1	—	—	—	—	—	—	—	0.1	4	0.3
	1954/55	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total	1952/53	4 010	325.1	405	52.9	2 288	194.8	1 172	116.6	700	48.8	791	66.5	232	25.3	9 598	830.0
	1953/54	3 369	271.3	261	36.1	2 387	191.5	604	55.5	748	52.0	832	68.4	30	2.7	8 231	677.5
	1954/55	4 657	343.9	216	29.7	2 885	214.4	504	43.6	683	46.9	703	51.7	12	1.0	9 660	731.2

Sources for Tables IX to XXIII: Calculated from *Commodity Trade Statistics*, United Nations; *Foreign Trade Statistical Bulletins*, Series IV, O E.E.C., Paris; and national trade statistics. For further details, see Appendix C.

[a] Includes very small quantities imported from " Other dollar countries ".
[b] Excluding the sterling area.

TABLE X

Imports of maize (unmilled) into selected Western European countries by area of origin

Quantities in thousands of tons ; values in millions of current dollars, c.i.f.

ea of origin	Year July/ June	IMPORTING COUNTRY															
		United Kingdom		France		Western Germany		Italy		Belgium Luxembourg		Netherlands		Sweden		Total of countries listed	
		Q	V	Q	V	Q	V	Q	V	Q	V	Q	V	Q	V	Q	V
d States	1952/53	578.2	47.3	87.6	8.1	226.0	18.3	45.9	4.1	328.2	23.5	293.0	24.3	—	—	1 558.9	125.6
	1953/54	832.4	62.2	106.0	8.9	154.6	11.6	94.4	7.3	181.5	12.6	267.0	19.7	3.0	0.2	1 638.9	122.5
	1954/55	748.0	56.5	2.1	0.2	38.8	3.0	0.2	—	91.2	6.3	243.0	17.8	2.1	0.2	1 125.4	84.0
da	1952/53	12.6	1.0	0.1	—	—	—	—	—	2.4	0.2	—	—	—	—	15.1	1.2
	1953/54	53.1	4.1	..	..	—	—	..	—	7.3	0.5	3.5	0.3	..	—	63.9	4.9
	1954/55	43.0	3.2	—	—	—	—	—	—	7.6	0.5	2.1	0.2	—	—	52.7	3.9
of dollar a [a]	1952/53	590.8	48.3	87.7	8.1	237.5	19.2	45.9	4.1	330.6	23.7	293.0	24.3	—	—	1 585.5	127.7
	1953/54	885.5	66.3	106.0	8.9	154.6	11.6	95.4	7.4	188.8	13.1	270.5	20.0	3.0	0.2	1 703.8	127.5
	1954/55	791.0	59.7	2.1	0.2	38.8	3.0	0.2	—	98.8	6.8	245.1	18.0	2.1	0.2	1 178.1	87.9
dollar Latin erica	1952/53	117.9	11.0	289.1	31.5	—	—	5.0	0.4	44.2	3.2	19.6	1.8	13.6	1.3	489.4	49.2
	1953/54	434.0	33.7	85.1	6.4	188.3	13.2	97.7	7.9	149.5	10.2	135.0	10.2	21.5	1.8	1 111.1	83.4
	1954/55	416.8	29.6	153.0	10.9	347.9	24.1	28.6	1.8	248.7	16.5	245.4	17.2	30.9	2.2	1 471.3	102.3
eas sterling a	1952/53	87.1	8.7	4.2	0.5	7.9	1.0	—	—	8.7	0.9	5.4	0.6	—	—	113.3	11.7
	1953/54	57.6	4.3	..	..	52.0	3.8	14.7	1.2	20.0	1.4	16.5	1.3	15.0	1.2	175.8	13.2
	1954/55	195.0	14.1	1.9	0.2	193.0	14.1	36.6	2.7	37.6	2.6	102.3	7.5	7.3	0.5	573.7	41.7
ted overseas as [b]	1952/53	5.5	0.5	24.6	2.8	6.5	0.5	0.1	—	0.9	0.1	1.9	0.1	—	—	39.5	4.0
	1953/54	..	—	83.3	7.1	25.0	2.1	..	—	12.0	0.8	1.9	0.2	..	—	122.2	10.2
	1954/55	0.1	—	127.2	11.8	20.5	1.4	—	—	23.3	1.6	10.3	0.8	0.1	—	181.5	15.6
overseas ntries	1952/53	11.7	1.0	21.8	2.4	1.8	0.2	0.6	—	0.1	—	0.6	0.1	—	—	36.6	3.7
	1953/54	0.2	—	13.5	1.3	2.0	0.2	4.3	0.4	3.7	0.3	2.4	0.3	..	—	26.1	2.5
	1954/55	0.2	—	2.8	0.2	1.2	0.1	0.3	—	1.9	0.1	7.8	0.6	0.1	—	14.3	1.0
rn Europe	1952/53	19.3	1.6	4.3	0.6	4.8	0.6	27.2	2.2	24.3	2.1	4.2	0.3	—	—	84.1	7.4
	1953/54	42.2	3.3	25.0	1.9	71.8	5.7	2.0	0.1	26.2	2.0	0.3	—	..	—	167.5	13.0
	1954/55	42.8	3.4	—	—	18.9	1.8	—	—	6.5	0.6	1.8	0.1	0.8	0.1	70.8	6.0
n Europe	1952/53	54.3	5.1	9.9	0.9	4.9	0.4	—	—	4.0	0.3	—	—	3.0	0.3	76.1	7.0
	1953/54	16.0	1.3	..	..	5.8	0.5	6.0	0.4	5.1	0.4	7.6	0.6	10.0	0.9	50.5	4.1
	1954/55	67.0	5.1	14.0	1.2	36.9	2.9	11.2	0.8	—	—	7.5	0.5	6.1	0.5	142.7	11.0
llocated	1952/53	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	1953/54	1.0	—	1.0	0.1	—	—	0.1	—	—	—	—	—	1.0	—	3.1	0.1
	1954/55	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
al	1952/53	886.6	76.2	441.6	46.8	263.4	21.9	78.8	6.7	412.8	30.3	324.7	27.2	16.6	1.6	2 424.5	210.7
	1953/54	1 436.5	108.9	313.9	25.7	499.5	37.1	220.2	17.4	405.3	28.2	434.2	32.6	50.5	4.1	3 360.1	254.0
	1954/55	1 512.9	111.9	301.0	24.5	657.2	47.4	76.9	5.3	416.8	28.2	620.2	44.7	47.4	3.5	3 632.4	265.5

: See Table IX.

[a] Includes very small quantities imported from " Other dollar countries ".

[b] Excluding the sterling area.

TABLE XI

Imports of sugar into selected Western European countries by area of origin

Quantities in thousands of tons ; values in millions of current dollars, c.i.f.

Area of origin	Year July/ June	IMPORTING COUNTRY															
		United Kingdom		France		Western Germany		Italy		Belgium-Luxembourg		Netherlands		Sweden		Total of countries listed	
		Q	V	Q	V	Q	V	Q	V	Q	V	Q	V	Q	V	Q	V
United States . .	1952/53	98.0	4.3	—	—	—	—	0.2	—	1.3	—	7.5	0.8	—	—	107.0	5.
	1953/54	122.5	2.9	—	—	0.1	..	..	..	..	—	7.0	0.2	..	—	129.6	3.
	1954/55	60.9	1.3	0.1	—	0.7	0.1	—	—	4.1	0.1	3.4	0.1	—	—	69.2	1.
Other dollar area	1952/53	929.9	87.7	149.0	22.9	103.3	10.6	2.2	0.3	63.4	7.6	179.6	16.7	25.8	2.6	1 453.2	148.
	1953/54	1 394.4	108.0	64.9	7.6	120.3	10.9	2.4	0.4	55.3	5.2	165.2	12.6	27.0	2.7	1 829.5	147.
	1954/55	807.9	51.9	52.5	5.8	187.7	16.4	2.1	0.2	21.3	1.8	154.5	12.0	33.8	3.1	1 259.8	91.
Total of dollar area	1952/53	1 027.9	92.0	149.0	22.9	103.3	10.6	2.4	0.3	64.7	7.6	187.1	17.5	25.8	2.6	1 560.2	153.
	1953/54	1 516.9	110.9	64.9	7.6	120.4	10.9	2.4	0.4	55.3	5.2	172.2	12.8	27.0	2.7	1 959.1	150.
	1954/55	868.8	53.2	52.6	5.8	188.4	16.5	2.1	0.2	25.4	1.9	157.9	12.1	33.8	3.1	1 329.0	92.
Non-dollar Latin America	1952/53	82.7	7.6	0.2	—	1.9	0.2	—	—	—	—	..	—	—	—	84.8	7.
	1953/54	28.4	2.6	6.8	0.7	17.4	1.5	..	..	9.2	0.9	11.6	0.9	..	—	73.4	6.
	1954/55	41.5	3.6	2.9	0.3	4.5	0.4	0.4	—	—	—	15.5	1.3	2.0	0.1	66.8	5.
Overseas sterling area	1952/53	1 268.3	150.5	—	—	—	—	0.7	—	—	—	..	—	12.2	0.3	1 281.2	150.
	1953/54	2 032.1	243.9	—	—	—	..	..	..	1.0	—	17.9	1.0	..	—	2 051.0	244.
	1954/55	1 630.5	194.9	—	—	—	—	3.8	0.1	—	—	10.9	0.3	—	—	1 645.2	195.
Affiliated overseas areas [a]	1952/53	0.4	—	228.9	40.6	—	—	0.1	—	—	—	..	—	—	—	229.4	40.
	1953/54	7.9	0.2	220.3	44.4	—	..	..	..	..	—	1.5	0.2	..	—	229.7	44.
	1954/55	4.3	0.1	277.5	54.5	—	—	1.8	0.1	—	—	0.5	—	—	—	284.1	54.
Other overseas countries	1952/53	173.4	13.2	—	—	—	—	4.0	0.3	—	—	14.8	1.3	—	—	192.2	14.
	1953/54	144.0	4.4	2.0	0.3	1.0	..	7.4	0.1	10.0	1.2	63.0	5.6	..	—	227.4	11.
	1954/55	85.2	1.8	2.5	0.4	—	—	6.2	0.3	—	—	2.7	0.1	—	—	96.6	2.
Western Europe .	1952/53	62.0	8.8	42.7	5.3	38.4	5.6	8.1	1.1	3.0	0.4	3.7	0.1	26.8	3.7	184.7	25.
	1953/54	28.1	3.5	44.0	5.3	61.6	7.1	11.5	1.2	7.7	0.5	19.8	1.5	24.6	3.1	197.3	22.
	1954/55	16.7	1.2	1.7	0.4	11.3	1.3	35.7	3.4	44.0	1.6	51.7	4.0	1.1	0.2	162.2	12.1
Eastern Europe .	1952/53	2.8	0.6	8.2	1.4	33.6	5.0	0.1	—	—	—	32.4	4.5	28.2	4.9	105.3	16.
	1953/54	—	—	—	—	38.5	4.6	0.9	0.1	..	—	..	—	16.8	2.6	56.2	7.
	1954/55	5.0	0.5	—	—	0.2	—	0.1	—	—	—	0.8	0.1	4.2	0.5	10.3	1.1
Not allocated . .	1952/53	—	—	—	—	—	—	—	—	—	—	0.3	—	—	—	0.3	—
	1953/54	—	—	—	—	—	0.1	1.0	0.1	1.1	—	0.9	—	1.0	—	4.0	0.
	1954/55	—	—	—	—	—	—	—	—	—	—	0.4	—	—	—	0.4	—
Total	1952/53	2 617.5	272.7	429.0	70.2	177.2	21.4	15.4	1.7	67.7	8.0	238.3	23.4	93.0	11.5	3 638.1	408.
	1953/54	3 757.4	365.5	338.0	58.3	238.9	24.2	23.2	1.9	84.3	7.8	286.9	22.0	69.4	8.4	4 798.1	488.
	1954/55	2 652.0	255.3	337.2	61.4	204.4	18.2	50.1	4.1	69.4	3.5	240.4	17.9	41.1	3.9	3 594.6	364.

Sources : See Table IX.

NOTE. — No imports from Canada.

[a] Excluding the sterling area:

TABLE XII

Imports of coffee into selected Western European countries by area of origin

Quantities in thousands of tons ; values in millions of current dollars, c.i.f.

Area of origin	Year July/ June	IMPORTING COUNTRY															
		United Kingdom		France		Western Germany		Italy		Belgium Luxembourg		Netherlands		Sweden		Total of countries listed	
		Q	V	Q	V	Q	V	Q	V	Q	V	Q	V	Q	V	Q	V
nited States . .	1952/53	..	..	—	—	—	—	0.3	0.3	0.4	0.4	..	..	—	—	0.7	0.7
	1953/54	—	—	—	—	0.1	0.2	0.2	0.2	0.8	1.1	0.1	0.1	0.2	0.4	1.4	2.0
	1954/55	—	—	0.1	0.1	0.2	0.4	0.4	0.6	0.4	0.6	—	0.1	0.1	0.3	1.2	2.1
ther dollar area	1952/53	1.6	2.1	6.7	9.7	16.4	22.3	16.7	19.3	20.2	24.4	3.5	4.6	5.6	7.5	70.7	89.9
	1953/54	—	—	7.2	12.2	38.0	53.2	12.6	15.6	17.6	24.9	7.8	11.8	10.3	14.7	93.5	132.4
	1954/55	0.8	1.2	11.1	17.9	52.6	90.9	10.9	15.4	11.7	17.6	10.3	16.4	14.5	23.9	111.9	183.3
otal of dollar area	1952/53	1.6	2.1	6.7	9.7	16.4	22.3	17.0	19.6	20.6	24.8	3.5	4.6	5.6	7.5	71.4	90.6
	1953/54	—	—	7.2	12.2	38.1	53.4	12.8	15.8	18.4	26.0	7.9	11.9	10.5	15.1	94.9	134.4
	1954/55	1.0[a]	2.1[a]	11.2	18.0	52.8	91.3	11.3	16.0	12.1	18.2	10.3	16.5	14.6	24.2	113.3[a]	186.3[a]
on-dollar Latin America	1952/53	6.3	7.4	49.9	59.2	28.0	35.2	27.3	31.7	21.6	25.1	11.3	14.0	41.6	51.4	186.0	224.0
	1953/54	3.0	4.1	69.5	89.1	44.1	60.1	27.7	33.8	16.1	20.7	6.9	9.5	37.1	54.1	204.4	271.4
	1954/55	3.0	4.2	43.7	55.6	37.2	63.4	24.7	33.1	9.6	13.2	1.6	2.6	33.1	54.4	152.9	226.5
verseas sterling area	1952/53	25.3	23.4	0.6	0.8	9.2	14.3	9.0	9.6	0.2	0.2	0.3	0.3	0.9	1.2	45.5	49.8
	1953/54	24.7	26.3	0.8	1.0	11.9	18.4	7.4	8.7	1.3	1.5	0.6	0.8	0.6	0.8	47.3	57.5
	1954/55	21.0	23.5	0.2	0.2	13.8	27.0	13.6	16.9	1.7	1.9	1.1	1.3	0.8	1.0	52.2	71.8
ffiliated overseas areas [b]	1952/53	3.9	4.0	105.0	118.3	2.1	2.8	2.1	2.2	10.0	8.9	9.8	10.7	0.5	0.6	133.4	147.5
	1953/54	1.1	1.2	89.9	113.3	3.4	4.5	4.3	4.8	10.5	10.8	12.5	15.2	0.4	0.4	122.1	150.2
	1954/55	0.6	0.7	115.0	125.5	2.8	4.8	5.8	7.0	10.0	10.0	7.7	9.8	0.4	0.5	142.3	158.3
ther overseas countries	1952/53	0.2	0.2	2.0	2.9	1.0	1.7	8.7	9.5	0.8	0.7	1.3	1.5	0.8	1.1	14.8	17.6
	1953/54	0.9	0.8	2.5	3.2	1.6	2.7	17.4	20.2	3.7	4.2	3.4	4.0	1.0	1.6	30.5	36.7
	1954/55	2.3	2.8	1.8	2.3	1.0	1.8	13.6	18.4	2.0	2.2	2.5	2.9	1.2	2.1	24.4	32.5
estern Europe .	1952/53	0.7	0.8	—	—	3.4	5.9	—	—	0.7	1.4	0.8	0.9	—	—	5.6	9.0
	1953/54	0.3	0.5	—	—	0.6	1.7	—	—	1.5	2.6	0.4	0.8	—	—	2.8	5.6
	1954/55	1.0	1.4	—	—	0.3	0.8	0.1	0.1	1.4	2.5	0.6	0.9	—	—	3.4	5.7
ot allocated . .	1952/53	0.1	0.1	—	—	—	—	—	—	—	—	0.1	0.1	—	—	0.2	0.2
	1953/54	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	1954/55	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total	1952/53	38.1	38.0	164.2	190.9	60.1	82.2	64.1	72.6	53.9	61.1	27.1	32.1	49.4	61.8	456.9	538.7
	1953/54	30.0	32.9	169.9	218.8	99.7	140.8	69.6	83.3	51.5	65.8	31.7	42.2	49.6	72.0	502.0	655.8
	1954/55	28.9	34.7	171.9	201.6	107.9	189.1	69.1	91.5	36.8	48.0	23.8	34.0	50.1	82.2	488.5	681.1

Sources : See Table IX. NOTE. — No imports from eastern Europe. [a] Includes very small quantities imported from Canada. [b] Excluding the sterling area.

TABLE XIII

Imports of raw tobacco into selected Western European countries by area of origin

Quantities in thousands of tons ; values in millions of current dollars, c.i.f.

Area of origin	Year July/ June	IMPORTING COUNTRY															
		United Kingdom		France		Western Germany		Italy		Belgium-Luxembourg		Netherlands		Sweden		Total of countries listed	
		Q	V	Q	V	Q	V	Q	V	Q	V	Q	V	Q	V	Q	V
United States . .	1952/53	48.1	75.6	3.4	4.4	22.8	30.2	—	—	9.4	9.6	10.7	11.3	5.1	7.5	99.5	138.6
	1953/54	57.2	91.8	2.4	3.4	26.0	36.6	1.3	2.5	9.6	9.5	11.7	12.0	4.8	7.8	113.0	163.6
	1954/55	68.9	110.8	6.8	11.0	25.1	36.5	1.7	3.1	9.1	8.6	15.6	16.0	5.4	9.3	132.6	195.3
Canada	1952/53	5.6	7.3	—	—	—	—	—	—	0.2	0.1	—	—	—	—	5.8	7.4
	1953/54	14.7	19.8	—	—	—	—	—	—	—	0.1	0.1	—	—	—	14.8	19.9
	1954/55	18.2	25.8	—	—	—	—	—	—	0.2	0.1	0.3	0.2	—	—	18.7	26.1
Other dollar area	1952/53	—	—	0.6	0.3	3.3	1.9	—	—	2.1	1.1	0.5	0.5	0.1	0.1	6.6	3.9
	1953/54	0.1	0.1	0.8	0.7	4.2	2.5	—	—	2.2	1.5	1.0	1.0	0.4	0.4	8.7	6.2
	1954/55	0.1	0.2	1.8	0.8	5.1	2.8	0.1	0.1	2.3	1.4	1.0	1.1	0.1	0.1	10.5	6.5
Total of dollar area	1952/53	53.7	82.9	4.0	4.7	26.1	32.1	—	—	11.7	10.8	11.2	11.8	5.2	7.6	111.9	149.9
	1953/54	72.0	111.7	3.2	4.1	30.2	39.1	1.3	2.5	11.8	11.1	12.8	13.0	5.2	8.2	136.5	189.7
	1954/55	87.2	136.8	8.6	11.8	30.2	39.3	1.8	3.2	11.6	10.1	16.9	17.3	5.5	9.4	161.8	227.9
Non-dollar Latin America	1952/53	—	—	1.0	0.6	5.2	3.9	—	—	2.9	1.8	3.2	2.7	0.5	0.4	12.8	9.4
	1953/54	0.1	0.1	1.1	1.0	5.3	3.9	—	—	2.3	1.8	3.1	2.8	0.2	0.2	12.1	9.8
	1954/55	—	0.1	2.9	2.9	5.1	3.7	—	—	2.5	1.7	4.7	4.2	0.3	0.3	15.5	12.9
Overseas sterling area	1952/53	49.1	68.5	0.6	0.3	1.1	1.1	—	—	1,7	0.7	5.5	3.0	1.3	1.0	59.3	74.6
	1953/54	48.1	64.6	0.1	0.1	0.5	1.0	—	—	1.9	0.8	4.3	2.4	1.1	0.8	56.0	69.7
	1954/55	54.6	75.4	1.4	1.1	1.1	0.8	—	—	2.2	1.0	5.8	3.1	1.1	1.2	66.2	82.6
Affiliated overseas areas [a]	1952/53	—	—	11.7	10.8	—	—	—	—	0.2	0.2	0.1	0.1	—	—	12.0	11.1
	1953/54	—	—	17.8	18.3	—	—	—	—	0.1	0.3	0.1	0.1	—	—	18.0	18.7
	1954/55	—	—	17.3	17.7	—	—	—	—	0.2	0.2	—	—	—	—	17.5	17.9
Other overseas countries	1952/53	0.1	1.3	0.2	0.6	4.0	7.7	—	—	1.5	2.0	4.1	10.4	0.1	1.0	10.0	23.0
	1953/54	0.1	0.4	0.1	0.6	4.7	8.0	—	—	1.6	1.9	3.7	11.1	0.2	0.7	10.4	22.7
	1954/55	0.1	0.6	0.3	0.5	4.0	8.4	—	—	1.6	2.1	6.2	14.6	0.2	0.8	12.4	27.0
Western Europe .	1952/53	6.6	9.7	11.4	11.4	15.4	17.2	2.7	2.1	3.0	2.2	7.8	7.9	2.2	3.1	49.1	53.6
	1953/54	6.6	10.7	12.2	11.2	19.7	22.1	3.6	4.6	2.5	2.0	7.0	7.8	2.2	3.5	53.8	61.9
	1954/55	6.4	11.7	11.6	11.0	23.3	27.4	5.6	6.7	3.4	2.4	7.4	8.6	1.5	2.5	59.2	70.3
Eastern Europe .	1952/53	—	—	—	—	0.1	0.1	—	—	0.4	0.2	—	—	—	—	0.5	0.3
	1953/54	—	—	—	—	0.1	0.1	1.3	2.1	0.2	0.3	—	—	—	0.1	1.6	2.6
	1954/55	—	—	—	—	0.5	0.6	2.7	3.3	0.4	0.2	—	—	0.1	0.1	3.7	4.2
Total	1952/53	109.5	162.4	28.9	28.4	51.9	62.1	2.7	2.1	21.4	17.9	31.9	35.9	9.3	13.1	255.6	321.9
	1953/54	126.9	187.5	34.5	35.3	60.5	74.2	6.2	9.2	20.4	18.2	31.0	37.2	8.9	13.5	288.4	375.1
	1954/55	148.3	224.6	42.1	45.0	64.2	80.2	10.1	13.2	21.9	17.7	41.0	47.8	8.7	14.3	336.3	442.8

Sources : See Table IX.

[a] Excluding the sterling area.

TABLE XIV

Imports of oilseeds into selected Western European countries by area of origin

Quantities in thousands of tons ; values in millions of current dollars, c.i.f.

Area of origin	Year July/ June	Importing country															
		United Kingdom		France		Western Germany		Italy		Belgium-Luxembourg		Netherlands		Sweden		Total of countries listed	
		Q	V	Q	V	Q	V	Q	V	Q	V	Q	V	Q	V	Q	V
ited States . .	1952/53	—	—	1.6	0.2	70.0	9.0	2.1	0.2	19.1	2.4	51.5	6.5	—	—	144.3	18.3
	1953/54	40.3	4.7	55.0	7.6	185.0	21.5	0.1	. .	38.5	6.3	96.7	10.8	—	—	415.6	50.9
	1954/55	51.2	6.1	89.6	10.7	208.8	23.6	13.4	1.3	53.1	5.5	179.6	20.0	14.7	1.7	610.4	68.9
nada	1952/53	1.1	0.2	32.6	5.2	—	—	3.1	0.6	46.7	7.5	—	—	—	—	83.5	13.5
	1953/54	27.2	3.2	49.3	7.2	—	—	. .	. .	26.5	3.3	0.2	—	—	—	103.2	13.7
	1954/55	56.6	7.1	58.5	8.7	1.5	0.2	1.3	0.1	4.0	0.5	11.1	1.5	—	—	133.0	18.1
her dollar area	1952/53	—	—	4.2	0.8	20.5	2.9	4.6	1.0	67.4	8.9	44.7	7.7	7.1	1.1	148.5	22.4
	1953/54	—	—	8.2	1.2	68.0	14.2	1.5	0.3	36.0	6.9	71.1	14.1	3.0	0.6	187.8	37.3
	1954/55	1.0	0.1	0.4	0.2	122.1	21.3	0.5	0.1	24.4	4.3	98.4	18.1	20.1	4.1	266.9	48.2
tal of dollar area	1952/53	1.1	0.2	38.4	6.2	90.5	11.9	9.8	1.8	133.2	18.8	96.2	14.2	7.1	1.1	376.3	54.2
	1953/54	67.5	7.9	112.5	16.0	253.0	35.7	1.6	0.3	101.0	16.5	168.0	24.9	3.0	0.6	706.6	101.9
	1954/55	108.8	13.3	148.5	19.6	332.4	45.1	15.2	1.5	81.5	10.3	289.1	39.6	34.8	5.8	1 010.3	135.2
n-dollar Latin America	1952/53	—	—	6.9	1.2	35.8	5.7	1.1	0.2	1.2	0.2	—	—	5.5	0.9	50.5	8.2
	1953/54	7.3	0.9	27.5	4.1	4.3	0.5	1.2	0.1	1.4	0.2	0.1	0.1	9.2	1.4	51.0	7.3
	1954/55	5.6	0.7	12.7	1.7	34.3	4.2	0.3	0.1	1.0	0.1	2.0	0.2	—	—	55.9	7.0
erseas sterling area	1952/53	1 090.3	210.9	30.8	6.6	91.4	14.8	17.8	3.7	4.2	0.7	22.1	4.3	12.0	2.3	1 268.6	243.3
	1953/54	1 015.0	188.0	49.9	10.6	105.7	20.8	21.2	4.1	3.0	0.5	36.1	6.2	24.3	5.6	1 255.2	235.8
	1954/55	785.8	131.8	137.4	25.6	210.7	32.8	43.8	8.1	32.2	5.3	103.9	16.0	17.9	4.0	1 331.7	223.6
filiated overseas areas [a]	1952/53	21.5	1.7	400.7	90.8	120.0	17.3	0.9	0.2	12.1	1.5	5.4	1.0	6.4	1.2	567.0	113.7
	1953/54	2.2	0.4	487.8	113.9	93.1	14.7	1.1	0.3	13.6	1.9	13.4	2.4	3.0	0.6	614.2	134.2
	1954/55	9.6	0.7	404.7	88.8	45.8	6.1	9.0	0.3	31.5	3.9	11.2	1.7	2.2	0.4	514.0	101.9
her overseas countries	1952/53	68.7	7.5	23.2	4.9	239.8	38.9	42.8	7.2	30.8	4.7	191.8	30.9	2.8	0.5	599.9	94.6
	1953/54	92.4	8.6	41.6	7.8	211.4	36.5	48.8	7.8	19.3	2.8	143.7	26.7	31.0	6.7	588.2	96.9
	1954/55	73.9	7.6	40.7	7.3	200.0	28.5	39.9	6.0	5.4	0.8	100.4	19.3	22.3	3.7	482.6	73.2
estern Europe .	1952/53	6.8	1.5	1.2	0.5	71.1	13.3	10.4	1.1	4.6	0.9	2.6	0.7	9.3	1.6	106.0	19.6
	1953/54	8.6	1.7	21.8	3.7	40.1	6.3	11.6	1.0	4.0	0.8	3.4	0.9	5.1	0.9	94.6	15.3
	1954/55	15.3	2.2	22.3	3.6	43.3	6.7	7.6	0.7	5.4	1.0	6.5	1.6	0.4	0.2	100.8	16.0
stern Europe .	1952/53	—	—	0.1	—	10.0	1.4	0.1	—	0.2	—	2.2	0.5	—	—	12.6	1.9
	1953/54	—	—	0.1	—	29.1	3.8	. .	. .	0.8	0.1	2.1	0.4	—	—	32.1	4.3
	1954/55	37.9	3.1	0.1	—	9.9	1.3	1.6	0.2	0.6	0.1	1.6	0.7	—	—	51.7	5.4
t allocated . .	1952/53	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	1953/54	—	—	—	—	—	—	1.0	0.1	—	—	1.0	—	—	—	2.0	0.1
	1954/55	—	—	—	—	—	—	0.3	—	0.3	—	—	—	—	—	0.6	—
Total	1952/53	1 188.4	221.8	501.3	110.2	658.6	103.3	82.9	14.2	186.3	26.8	320.3	51.6	43.1	7.6	2 980.9	535.5
	1953/54	1 193.0	207.5	741.2	156.1	736.7	118.3	86.5	13.7	143.1	22.8	367.8	61.6	75.6	15.8	3 343.9	595.8
	1954/55	1 036.9	159.4	766.4	146.6	876.4	124.7	117.7	16.9	157.9	21.5	514.7	79.1	77.6	14.1	3 547.6	562.3

rces : See Table IX.

[a] Excluding the sterling area.

TABLE XV

Imports of rubber into selected Western European countries by area of origin

Quantities in thousands of tons ; values in millions of current dollars, c.i.f.

Area of origin	Year July/ June	IMPORTING COUNTRY															
		United Kingdom		France		Western Germany		Italy		Belgium-Luxembourg		Netherlands		Sweden		Total of countries listed	
		Q	V	Q	V	Q	V	Q	V	Q	V	Q	V	Q	V	Q	V
United States . .	1952/53	3.0	3.1	2.4	1.9	6.6	3.3	2.3	1.6	0.6	0.3	0.4	0.3	1.4	0.9	16.7	11.4
	1953/54	3.9	4.2	4.3	2.5	5.4	3.8	3.7	2.4	0.4	0.4	0.2	0.5	0.9	0.6	18.8	14.4
	1954/55	6.1	5.8	5.2	3.6	9.9	6.0	6.4	3.9	1.1	0.6	1.5	1.0	1.4	1.0	31.6	21.9
Canada	1952/53	2.1	1.7	10.4	6.3	3.0	2.1	3.8	2.2	1.6	0.9	..	..	0.2	0.2	21.1	13.4
	1953/54	5.0	3.7	12.1	7.2	6.0	4.0	5.1	3.3	2.0	1.0	0.3	0.3	0.1	0.1	30.6	19.6
	1954/55	8.1	5.5	12.2	7.0	6.4	3.9	7.0	4.0	2.4	1.4	0.7	0.5	0.3	0.2	37.1	22.5
Total of dollar area	1952/53	5.1	4.8	12.8	8.2	9.6	5.4	6.1	3.8	2.2	1.2	0.4	0.3	1.6	1.1	37.8	24.8
	1953/54	8.9	7.9	16.4	9.7	11.4	7.8	8.8	5.7	2.4	1.4	0.5	0.8	1.0	0.7	49.4	34.0
	1954/55	14.2	11.3	17.4	10.6	16.3	9.9	13.4	7.9	3.5	2.0	2.2	1.5	1.7	1.2	68.7	44.4
Non-dollar Latin America	1952/53	0.2	0.2	0.1	0.1	0.1	—	—	—	—	—	..	..	—	—	0.4	0.3
	1953/54	0.3	0.4	—	—	0.1	—	—	—	—	—	—	—	—	—	0.4	0.4
	1954/55	0.6	0.6	—	—	—	—	—	—	—	—	—	—	—	—	0.6	0.6
Overseas sterling area	1952/53	291.3	192.3	71.6	43.2	78.4	44.8	42.0	26.6	6.0	3.4	4.8	2.7	17.2	10.1	511.3	323.1
	1953/54	237.5	117.1	92.5	41.8	75.9	33.3	50.2	22.7	6.5	3.1	6.0	2.4	20.3	8.8	488.9	229.2
	1954/55	246.0	155.6	105.7	60.8	110.5	61.7	53.6	30.1	7.4	4.4	7.9	4.4	23.4	12.8	554.5	329.8
Affiliated overseas areas [a]	1952/53	2.0	1.0	39.5	25.3	2.3	1.4	0.7	0.4	8.4	4.2	0.4	0.2	0.1	0.1	53.4	32.6
	1953/54	2.3	0.9	27.1	14.9	1.9	1.0	1.8	0.7	9.6	3.7	0.5	0.4	0.1	—	43.3	21.6
	1954/55	2.8	1.9	25.9	15.1	3.0	1.6	1.0	0.5	11.3	6.1	1.1	0.6	0.1	0.1	45.2	25.9
Other overseas countries	1952/53	9.1	6.9	5.0	3.0	34.8	20.1	2.4	1.5	2.8	1.5	9.8	5.3	0.9	0.5	64.8	38.8
	1953/54	12.0	6.2	7.3	3.2	54.0	24.0	4.8	2.0	2.7	1.4	11.5	5.2	1.3	0.6	93.6	42.6
	1954/55	16.2	9.9	6.7	3.8	48.6	27.5	2.4	1.2	3.4	1.9	11.2	6.1	1.2	0.8	89.7	51.2
Western Europe .	1952/53	1.5	0.8	2.1	0.5	5.4	0.5	3.5	0.6	1.6	0.4	7.2	1.1	0.5	0.2	21.8	4.1
	1953/54	0.6	0.3	4.0	0.8	4.3	0.5	4.3	0.3	1.8	0.4	4.8	1.0	1.0	0.2	20.8	3.5
	1954/55	1.2	0.6	3.2	0.7	9.7	0.8	3.5	0.5	1.5	0.4	5.5	1.7	1.3	0.2	25.9	4.9
Not allocated [b] . .	1952/53	—	—	—	—	—	—	—	—	—	—	0.1	0.1	—	—	0.1	0.1
	1953/54	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	1954/55	—	—	0.4	0.1	—	—	—	—	0.1	—	—	—	0.1	—	0.6	0.1
Total	1952/53	309.2	206.0	131.1	80.3	130.6	72.2	54.7	32.9	21.0	10.7	22.7	9.7	20.3	12.0	689.6	423.8
	1953/54	261.6	132.8	147.3	70.4	147.6	66.6	69.9	31.4	23.0	10.0	23.3	9.8	23.7	10.3	696.4	331.3
	1954/55	281.0	179.9	159.3	91.1	188.1	101.5	73.9	40.2	27.2	14.8	27.9	14.3	27.8	15.1	785.2	456.9

Sources : See Table IX.

[a] Excluding the sterling area.

NOTE. — No imports from " Other dollar area ".

[b] Includes very small quantities imported from eastern Europe.

TABLE XVI

Imports of timber [a] into selected Western European countries by area of origin

Values in millions of current dollars, c.i.f.

Area of origin	Year July/ June	IMPORTING COUNTRY							
		United Kingdom	France	Western Germany	Italy	Belgium-Luxembourg	Netherlands	Sweden	Total of countries listed
nited States . . .	1952/53	8.4	1.3	2.6	2.0	3.3	1.0	0.7	19.3
	1953/54	8.2	1.8	3.2	1.7	1.2	1.7	0.2	18.0
	1954/55	6.7	2.4	5.3	2.7	1.8	1.2	0.7	20.8
nada	1952/53	115.3	5.1	3.2	0.2	0.8	0.1	—	124.7
	1953/54	82.5	0.8	1.3	0.6	1.3	1.2	—	87.7
	1954/55	108.9	1.9	2.5	1.2	0.5	1.0	—	116.0
her dollar area	1952/53	0.8	0.1	0.9	0.2	—	0.1	—	2.1
	1953/54	0.9	0.2	1.1	0.2	—	0.3	—	2.7
	1954/55	1.1	0.2	1.0	0.2	0.2	0.3	0.1	3.1
tal of dollar area	1952/53	124.5	6.5	6.7	2.4	4.1	1.2	0.7	146.1
	1953/54	91.6	2.8	5.6	2.5	2.5	3.2	0.2	108.4
	1954/55	116.7	4.5	8.8	4.1	2.5	2.5	0.8	139.9
n-dollar Latin America	1952/53	9.6	0.1	1.5	0.7	0.4	0.2	—	12.5
	1953/54	14.4	0.3	3.0	0.3	0.9	0.7	—	19.6
	1954/55	9.1	0.4	4.2	0.4	2.0	0.8	—	16.9
erseas sterling area	1952/53	40.9	0.2	2.7	1.6	0.3	0.7	0.7	47.1
	1953/54	45.8	0.4	6.0	2.0	0.3	1.3	1.0	56.8
	1954/55	38.0	0.7	10.5	3.6	0.7	1.7	1.0	56.2
filiated overseas areas [b]	1952/53	2.7	10.4	11.5	0.4	1.3	2.3	0.3	28.9
	1953/54	3.7	15.5	19.2	0.8	1.6	3.8	0.7	45.3
	1954/55	3.6	17.0	22.6	0.4	2.1	5.2	0.7	51.6
her overseas countries	1952/53	5.3	0.1	0.6	0.7	1.9	1.7	0.5	10.8
	1953/54	5.9	0.2	1.4	1.0	1.7	2.7	0.9	13.8
	1954/55	12.0	0.6	1.7	0.9	1.9	2.8	1.3	21.2
estern Europe .	1952/53	200.9	42.3	115.1	52.1	23.1	57.8	21.2	512.5
	1953/54	188.4	23.6	90.1	63.6	22.1	78 6	12.8	479.2
	1954/55	211.4	23.0	148.3	70.7	30.0	87.1	13.2	583.7
stern Europe .	1952/53	38.3	2.3	5.5	3.7	7.6	11.3	0.4	69.1
	1953/54	56.6	2.5	4.6	5.3	8.5	11.8	0.3	89.6
	1954/55	65.8	3.6	16.1	7.5	10.9	13.8	0.4	118.1
t allocated . .	1952/53	0.1	—	—	—	—	0.3	—	0.4
	1953/54	—	—	—	—	—	—	—	—
	1954/55	—	—	—	—	—	—	—	—
Total	1952/53	422.3	61.9	143.6	61.6	38.7	75.5	23.8	827.4
	1953/54	406.4	45.3	129.9	75.5	37.6	102.1	15.9	812.7
	1954/55	456.6	49.8	212.2	87.6	50.1	113.9	17.4	987.6

Sources : See Table IX.

[a] Includes round, hewn and sawn wood.

[b] Excluding the sterling area.

TABLE XVII

Imports of wood-pulp into selected Western European countries by area of origin

Quantities in thousands of tons ; values in millions of current dollars, c.i.f.

Area of origin	Year July/June	IMPORTING COUNTRY													
		United Kingdom		France		Western Germany		Italy		Belgium-Luxembourg		Netherlands		Total of countries listed	
		Q	V	Q	V	Q	V	Q	V	Q	V	Q	V	Q	V
United States . .	1952/53	17.4	3.5	9.1	2.3	11.8	2.8	10.0	1.6	2.1	0.5	3.8	1.1	54.2	11.8
	1953/54	33.0	5.4	9.9	2.1	14.2	3.3	7.9	1.0	6.9	1.0	7.6	1.8	79.5	14.6
	1954/55	163.6	27.2	22.2	4.6	65.7	11.5	24.8	3.4	12.7	2.0	24.0	4.6	313.0	53.3
Canada	1952/53	161.5	28.1	24.9	4.7	5.5	1.4	1.8	0.4	1.9	0.3	—	—	195.6	34.9
	1953/54	226.1	35.5	28.8	5.2	5.5	0.7	5.0	0.8	6.5	0.8	6.0	0.8	277.9	43.8
	1954/55	265.1	39.3	32.9	5.7	17.1	2.6	6.7	1.0	5.3	0.7	10.4	1.3	337.5	50.6
Total of dollar area	1952/53	178.9	31.6	34.0	7.0	17.3	4.2	11.8	2.0	4.0	0.8	3.8	1.1	249.8	46.7
	1953/54	259.1	40.9	38.7	7.3	19.7	4.0	12.9	1.8	13.4	1.8	13.6	2.6	357.4	58.4
	1954/55	428.7	66.5	55.1	10.3	82.8	14.1	31.5	4.4	18.0	2.7	34.4	5.9	650.5	103.9
Overseas sterling area	1952/53	0.1	—	—	—	—	—	—	—	—	—	—	—	0.1	—
	1953/54	1.2	—	—	—	—	—	..	—	—	—	—	—	1.2	—
	1954/55	0.2	—	—	—	—	—	—	—	—	—	..	—	0.2	—
Affiliated overseas areas [a]	1952/53	..	—	1.4	0.2	0.1	—	—	—	—	—	—	—	1.5	0.2
	1953/54	—	—	0.3	0.1	—	—	..	—	—	—	—	—	0.3	0.1
	1954/55	—	—	0.5	0.1	—	—	—	—	—	—	..	—	0.5	0.1
Western Europe .	1952/53	1 141.7	133.2	478.9	56.9	309.4	34.6	220.4	28.0	151.9	15.5	223.7	21.6	2 526.0	289.8
	1953/54	1 578.4	177.1	610.1	63.0	507.9	52.1	303.0	39.0	179.0	19.9	278.8	24.9	3 457.2	376.0
	1954/55	1 650.8	197.8	714.6	77.5	578.3	62.4	317.1	44.0	173.8	20.2	286.5	26.4	3 721.1	428.3
Eastern Europe .	1952/53	1.2	0.2	1.2	0.3	—	—	4.7	0.5	0.7	0.1	1.4	0.2	9.2	1.3
	1953/54	30.2	3.6	12.4	1.6	—	—	2.1	0.1	3.4	0.3	1.6	0.1	49.7	5.7
	1954/55	58.4	7.5	11.5	1.4	0.9	0.1	2.3	0.4	4.0	0.5	0.9	0.1	78.0	10.0
Not allocated [b] .	1952/53	0.6	—	—	—	—	—	—	—	—	—	—	—	0.6	—
	1953/54	—	—	—	—	—	—	0.1	—	—	—	—	—	0.1	—
	1954/55	—	—	—	—	—	—	—	—	—	—	0.3	—	0.3	—
Total	1952/53	1 322.5	165.0	515.5	64.4	326.8	38.8	236.9	30.5	156.6	16.4	228.9	22.9	2 787.2	338.0
	1953/54	1 868.9	221.6	661.5	72.0	527.6	56.1	318.1	40.9	195.8	22.0	294.0	27.6	3 865.9	440.2
	1954/55	2 138.1	271.8	781.7	89.3	662.0	76.6	350.9	48.8	195.8	23.4	322.1	32.4	4 450.6	542.3

Sources : See Table IX.

NOTE. — No imports from " Other dollar countries " and " Non-dollar Latin America ". No imports into Sweden.

[a] Excluding the sterling area.

[b] Includes very small quantities imported from " Other overseas countries ".

TABLE XVIII

Imports of raw wool into selected Western European countries by area of origin

Quantities in thousands of tons ; values in millions of current dollars, c.i.f.

Area of origin	Year July/ June	IMPORTING COUNTRY															
		United Kingdom		France		Western Germany		Italy		Belgium-Luxem-bourg		Nether-lands		Sweden		Total of countries listed	
		Q	V	Q	V	Q	V	Q	V	Q	V	Q	V	Q	V	Q	V
nited States . .	1952/53	..	..	—	—	..	..	0.1	0.2	—	—	—	—	—	—	0.1	0.2
	1953/54	..	..	—	..	—	—	—	0.1	—	—	..	..	—	—	..	0.1
	1954/55	..	..	—	—	0.1	0.1	..	..	—	—	..	..	—	—	0.1	0.1
on-dollar Latin America	1952/53	76.0	111.4	10.1	13.0	21.9	32.1	8.9	12.7	25.2	29.4	3.8	6.2	1.4	2.7	147.3	207.5
	1953/54	26.0	43.4	15.5	22.8	17.7	25.7	6.2	10.4	7.0	8.5	1.9	3.1	0.2	1.7	74.5	115.6
	1954/55	25.5	36.5	13.1	18.9	17.0	25.4	1.7	2.9	3.9	4.8	1.8	3.1	0.3	0.6	63.3	92.2
verseas sterling area	1952/53	303.5	501.2	115.7	180.3	49.4	83.4	65.4	118.5	44.7	62.6	4.2	6.5	3.4	6.3	586.3	958.8
	1953/54	273.9	467.6	149.0	266.0	52.3	89.6	73.7	147.6	56.9	84.4	5.4	9.6	3.0	5.9	614.2	1 070.7
	1954/55	265.8	430.0	125.2	202.3	69.6	109.3	52.5	94.0	52.0	69.6	6.7	9.8	3.6	7.2	575.4	922.2
ffiliated overseas areas[a]	1952/53	..	..	3.3	3.0	..	..	0.2	0.1	0.1	0.1	—	—	—	—	3.6	3.2
	1953/54	0.4	0.7	5.9	5.9	0.1	0.1	0.1	0.2	0.1	0.5	..	0.1	—	—	6.6	7.5
	1954/55	0.7	1.0	5.5	5.0	0.2	0.2	0.3	0.3	0.8	1.0	..	..	—	—	7.5	7.5
her overseas countries	1952/53	..	..	—	—	..	..	0.4	0.3	—	—	—	—	—	—	0.4	0.3
	1953/54	0.8	0.7	0.2	0.2	1.8	1.2	1.2	1.0	0.2	0.2	..	..	—	—	4.2	3.3
	1954/55	0.5	0.5	0.2	0.2	0.8	0.7	0.4	0.6	0.1	0.1	0.4	0.3	—	—	2.4	2.4
estern Europe .	1952/53	14.5	26.6	1.3	2.2	11.5	24.6	10.0	19.1	5.5	8.0	3.6	7.1	1.0	1.9	47.4	89.5
	1953/54	12.1	24.6	1.6	2.0	11.3	23.6	9.8	18.4	6.4	8.9	2.9	7.6	1.6	2.0	45.7	87.1
	1954/55	13.3	23.3	1.2	1.9	12.0	23.0	8.8	16.7	8.7	12.6	4.4	7.9	1.1	2.0	49.5	87.4
ot allocated[b] . .	1952/53	2.4	3.1	—	—	0.6	0.4	0.5	0.9	—	—	—	—	—	—	3.5	4.4
	1953/54	4.4	5.4	—	0.1	—	—	—	—	—	—	1.0	0.1	—	—	5.4	5.6
	1954/55	3.0	4.0	—	—	—	—	3.1	4.0	0.1	0.2	0.1	0.1	—	—	6.3	8.3
Total	1952/53	396.4	642.3	130.4	198.5	83.4	140.5	85.5	151.8	75.5	100.1	11.6	19.8	5.8	10.9	788.6	1 263.9
	1953/54	317.6	542.4	172.2	297.0	83.2	140.2	91.0	177.7	70.6	102.5	11.2	20.5	4.8	9.6	750.6	1 289.9
	1954/55	308.8	495.3	145.2	228.3	99.7	158.7	66.8	118.5	65.6	88.3	13.4	21.2	5.0	9.8	704.5	1 120.1

Sources : See Table IX.

OTE. — No imports from Canada and " Other dollar area ".

[a] Excluding the sterling area.

[b] Includes very small quantities imported from eastern Europe.

Table XIX

Imports of raw cotton into selected Western European countries by area of origin

Quantities in thousands of tons ; values in millions of current dollars, c.i.f.

Area of origin	Year July/ June	IMPORTING COUNTRY															
		United Kingdom		France		Western Germany		Italy		Belgium Luxembourg		Netherlands		Sweden		Total of countries listed	
		Q	V	Q	V	Q	V	Q	V	Q	V	Q	V	Q	V	Q	V
United States . .	1952/53	83.2	71.7	112.8	89.9	74.9	58.6	107.0	97.2	30.4	25.5	31.9	28.5	9.1	8.2	449.3	379.6
	1953/54	103.5	77.2	114.1	89.5	105.4	71.1	53.4	44.4	26.4	20.2	31.7	26.8	10.2	8.4	444.7	337.6
	1954/55	141.8	105.6	120.2	93.3	118.6	79.1	58.6	48.9	25.5	18.7	43.5	38.0	12.1	10.1	520.3	393.7
Other dollar area	1952/53	7.7	6.6	5.5	4.3	29.9	23.5	4.6	4.1	15.8	14.0	4.0	3.5	4.3	3.9	71.8	59.9
	1953/54	11.6	8.6	1.4	1.1	37.6	28.8	3.3	1.9	14.8	12.3	8.4	6.9	3.4	2.4	80.5	62.0
	1954/55	16.1	12.9	3.2	2.9	49.7	40.4	2.6	2.2	23.4	19.9	7.1	6.0	5.1	4.3	107.2	88.6
Total of dollar area [a]	1952/53	90.9	78.3	118.3	94.2	104.8	82.1	111.8	101.5	46.2	39.5	35.9	32.0	13.4	12.1	521.3	439.7
	1953/54	115.1	85.8	115.5	90.6	143.0	99.9	56.7	46.3	41.2	32.5	40.1	33.9	13.6	10.8	525.2	399.8
	1954/55	157.9	118.5	123.4	96.2	168.3	119.5	61.2	51.1	48.9	38.6	50.6	44.0	17.2	14.4	627.5	482.3
Non-dollar Latin America	1952/53	56.7	44.2	16.4	16.3	22.6	10.2	0.3	0.3	12.4	10.9	5.0	4.5	4.9	4.7	118.3	91.1
	1953/54	89.2	62.1	29.0	22.8	70.5	45.8	18.6	13.2	23.9	18.2	10.5	7.7	7.7	5.4	249.4	175.2
	1954/55	70.0	46.8	24.8	21.6	60.7	43.4	20.4	15.8	21.9	16.6	7.7	6.3	4.1	3.5	209.6	154.0
Overseas sterling area	1952/53	88.4	75.4	24.7	19.2	41.4	30.6	16.8	12.0	14.6	7.7	7.8	5.0	5.3	4.0	199.0	153.9
	1953/54	96.2	68.6	24.1	17.2	28.7	18.8	22.6	16.3	11.5	5.6	6.2	3.9	4.4	3.2	193.7	133.6
	1954/55	72.9	55.7	15.2	11.0	22.2	15.6	10.4	8.2	9.4	5.4	3.5	2.4	2.7	1.8	136.3	100.1
Affiliated overseas areas [b]	1952/53	9.1	6.6	36.0	31.6	17.2	15.4	—	—	13.9	10.9	1.7	1.5	1.3	1.2	79.2	67.2
	1953/54	7.9	5.1	38.0	29.7	10.3	8.3	0.6	0.5	17.8	13.4	—	—	2.4	1.8	77.0	58.8
	1954/55	5.3	2.6	43.9	36.2	6.2	5.2	0.8	0.3	16.8	13.6	—	—	2.3	2.0	75.3	59.9
Other overseas countries	1952/53	58.0	62.0	71.5	69.4	50.5	48.0	44.0	47.2	6.2	5.0	5.6	5.3	3.7	3.4	239.5	240.3
	1953/54	111.6	100.8	82.3	78.4	57.9	52.2	39.5	40.7	10.2	8.0	6.5	5.8	2.4	2.3	310.4	288.2
	1954/55	64.8	64.6	83.9	84.0	41.9	41.1	36.6	37.9	8.2	7.3	5.5	5.5	2.1	1.9	243.0	242.3
Western Europe .	1952/53	21.0	12.5	19.8	15.1	41.0	31.2	18.4	15.1	6.1	2.2	15.0	9.8	4.6	1.8	125.9	87.7
	1953/54	19.0	10.1	19.1	14.0	29.4	17.2	30.8	23.6	8.4	3.3	18.0	10.5	4.9	2.0	129.6	80.7
	1954/55	16.7	9.9	19.9	14.5	27.9	15.7	15.0	11.2	11.1	5.3	16.6	9.6	5.9	1.9	113.1	68.1
Eastern Europe .	1952/53	0.6	0.1	0.1	—	—	—	—	—	0.3	0.1	—	—	—	—	1.0	0.2
	1953/54	6.2	3.4	4.0	3.0	—	—	3.2	2.7	6.6	2.7	1.2	0.9	0.2	0.1	21.4	12.8
	1954/55	27.0	20.3	7.7	6.6	1.5	0.9	9.5	8.3	2.9	1.8	1.7	1.3	3.3	2.5	53.6	41.7
Total	1952/53	324.7	279.1	286.8	245.8	277.5	217.5	191.3	176.1	99.7	76.3	71.0	58.1	33.2	27.2	1 284.2	1 080.1
	1953/54	445.2	335.9	312.0	255.7	339.8	242.2	172.0	143.3	119.6	83.7	82.5	62.7	35.6	25.6	1 506.7	1 149.1
	1954/55	414.6	318.4	318.8	270.1	328.7	241.4	153.9	132.8	119.2	88.6	85.6	69.1	37.6	28.0	1 458.4	1 148.4

Sources : See Table IX.

[a] Includes very small quantities imported from Canada.

[b] Excluding the sterling area.

Imports of crude petroleum into selected Western European countries by area of origin

Quantities in thousands of tons ; values in millions of current dollars, c.i.f.

Area of origin	Year July/June	IMPORTING COUNTRY															
		United Kingdom		France		Western Germany		Italy		Belgium-Luxembourg		Netherlands		Sweden		Total of countries listed	
		Q	V	Q	V	Q	V	Q	V	Q	V	Q	V	Q	V	Q	V
United States	1952/53	95.4	3.0	98.6	2.8	—	—	48.0	1.6	—	—	—	—	—	—	242.0	7.4
	1953/54	126.9	3.7	73.4	2.1	—	—	76.5	2.0	..	—	..	..	—	—	276.8	7.8
	1954/55	217.0	5.5	91.1	2.8	—	—	4.2	0.1	—	—	—	—	—	—	312.3	8.4
Other dollar area	1952/53	633.2	15.3	1 156.6	27.5	664.6	16.0	548.8	12.4	49.6	0.9	238.3	6.5	159.3	3.8	3 450.4	82.4
	1953/54	1 183.3	27.9	973.0	21.0	801.8	16.4	398.5	7.4	75.8	1.6	540.1	10.2	146.6	2.6	4 119.1	87.1
	1954/55	1 938.7	41.9	843.6	18.0	776.9	15.3	513.4	8.4	149.9	3.6	1 897.0	35.1	437.4	9.1	6 556.9	131.4
Total of dollar area	1952/53	728.6	18.3	1 255.2	30.3	664.6	16.0	596.8	14.0	49.6	0.9	238.3	6.5	159.3	3.8	3 692.4	89.8
	1953/54	1 310.2	31.6	1 046.4	23.1	801.8	16.4	475.0	9.4	75.8	1.6	540.1	10.2	146.6	2.6	4 395.9	94.9
	1954/55	2 155.7	47.4	934.7	20.8	776.9	15.3	517.6	8.5	149.9	3.6	1 897.0	35.1	437.4	9.1	6 869.2	139.8
Non-dollar Latin America	1952/53	114.1	3.8	—	—	—	—	—	—	—	—	—	—	—	—	114.1	3.8
	1953/54	142.6	4.2	—	—	—	—	..	—	..	—	..	..	—	—	142.6	4.2
	1954/55	143.0	3.9	—	—	—	—	—	—	4.3	0.1	—	—	—	—	147.3	4.0
Overseas sterling area	1952/53	21 632.4	577.4	15 233.7	347.6	1 729.4	46.3	6 080.9	132.7	2 171.7	60.1	4 570.3	121.5	800.2	20.4	52 218.6	1 306.0
	1953/54	25 000.5	546.0	17 267.2	363.8	2 228.2	49.4	9 010.7	180.7	2 175.2	54.8	4 585.1	97.7	886.0	18.8	61 152.9	1 311.2
	1954/55	26 228.6	527.2	18 056.4	376.6	2 913.1	63.3	9 847.9	194.2	2 460.7	55.2	4 966.6	108.0	442.8	8.9	64 916.1	1 333.4
Affiliated overseas areas [a]	1952/53	525.4	12.1	88.1	2.1	46.5	0.9	90.3	1.8	94.0	1.9	424.8	8.5	—	—	1 269.1	27.3
	1953/54	1 017.0	23.0	182.2	3.6	45.0	0.9	129.2	2.4	94.8	1.7	208.6	3.3	—	—	1 676.8	34.9
	1954/55	1 088.6	23.3	411.7	8.0	—	—	141.7	2.5	75.1	1.3	354.1	7.4	—	—	2 071.2	42.5
Other overseas countries	1952/53	1 040.7	28.8	5 345.3	139.0	1 341.8	35.1	4 276.3	92.3	97.2	2.3	1 769.7	44.3	379.4	9.6	14 250.4	351.4
	1953/54	120.4	2.9	4 610.5	106.2	2 340.0	52.9	4 522.2	89.0	942.5	19.7	2 686.8	60.8	495.2	10.8	15 717.6	342.3
	1954/55	994.6	19.9	3 779.4	85.9	2 832.5	62.9	5 342.3	100.6	1 402.0	29.1	3 570.6	81.4	991.9	21.7	18 913.3	401.5
Western Europe	1952/53	26.3	1.1	—	—	—	—	—	—	—	—	—	—	—	—	26.3	1.1
	1953/54	49.0	1.8	—	—	—	—	..	—	8.0	0.2	..	..	—	—	57.0	2.0
	1954/55	211.4	6.3	—	—	—	—	—	—	1.5	—	—	—	—	—	212.9	6.3
Eastern Europe	1952/53	—	—	—	—	—	—	162.9	3.9	—	—	—	—	—	—	162.9	3.9
	1953/54	..	—	35.0	0.7	—	—	190.6	3.5	..	—	..	..	—	—	225.6	4.2
	1954/55	—	—	171.9	3.6	—	—	139.2	2.5	—	—	—	—	—	—	311.1	6.1
Not allocated	1952/53	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	1953/54	4.0	—	—	—	—	—	1.0	—	1.0	—	1.0	0.1	—	—	7.0	0.1
	1954/55	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total	1952/53	24 067.5	641.5	21 922.3	519.0	3 782.3	98.3	11 207.2	244.7	2 412.5	65.2	7 003.1	180.8	1 338.9	33.8	71 733.8	1 783.3
	1953/54	27 643.7	609.5	23 141.3	497.4	5 415.0	119.6	14 328.7	285.0	3 297.3	78.0	8 021.6	172.1	1 527.8	32.2	83 375.4	1 793.8
	1954/55	30 821.9	628.0	23 354.1	494.9	6 522.5	141.5	15 988.7	308.3	4 093.5	89.3	10 788.3	231.9	1 872.1	39.7	93 441.1	1 933.6

Sources : See Table IX.

NOTE. — No imports from Canada.

[a] Excluding the sterling area.

TABLE XXI

Imports of refined petroleum into selected Western European countries by area of origin

Quantities in thousands of tons ; values in millions of current dollars, c.i.f.

Area of origin	Year July/ June	IMPORTING COUNTRY: United Kingdom		France		Western Germany		Italy		Belgium Luxembourg		Netherlands		Sweden		Total of countries listed	
		Q	V	Q	V	Q	V	Q	V	Q	V	Q	V	Q	V	Q	V
United States . .	1952/53	..	82.2	204.1	15.3	147.0	9.0	113.1	11.3	257.8	15.2	109.3	7.2	..	13.5	..	153.7
	1953/54	..	68.7	186.5	14.5	173.1	9.8	90.5	9.2	246.0	14.5	69.2	5.7	..	9.2	..	131.6
	1954/55	..	56.4	206.4	15.5	138.9	8.3	125.1	11.1	176.7	12.5	93.5	6.9	..	6.4	..	117.1
Canada	1952/53	..	0.6	—	—	—	—	10.1	0.7	..	..	—	—	..	—	..	1.3
	1953/54	..	0.8	—	—	—	—	8.2	0.6	..	..	—	—	..	..	..	1.4
	1954/55	..	0.8	—	—	..	..	4.8	0.3	..	..	..	..	..	—	..	1.1
Other dollar area	1952/53	..	8.0	102.3	3.8	47.6	1.7	22.9	0.7	201.5	5.2	148.1	3.6	..	25.9	..	48.9
	1953/54	..	15.6	73.9	2.4	65.3	2.3	2.7	..	203.0	6.2	243.1	5.0	..	19.4	..	50.9
	1954/55	..	21.2	40.2	1.2	98.5	3.1	15.8	0.3	157.2	4.9	246.1	5.4	..	15.0	..	51.1
Total of dollar area	1952/53	..	90.8	306.4	19.1	194.6	10.7	146.1	12.7	459.3	20.4	257.4	10.8	..	39.4	..	203.9
	1953/54	..	85.1	260.4	16.9	238.4	12.1	101.4	9.8	449.0	20.7	312.3	10.7	..	28.6	..	183.9
	1954/55	..	78.4	246.6	16.7	237.4	11.4	145.7	11.7	333.9	17.4	339.6	12.3	..	21.4	..	169.3
Overseas sterling area	1952/53	..	48.6	12.6	0.3	—	—	25.8	0.7	15.6	0.7	3.0	0.1	..	6.5	..	56.9
	1953/54	..	56.7	—	—	—	—	3.4	0.2	30.8	1.1	213.7	3.6	..	6.6	..	68.2
	1954/55	..	68.1	25.3	1.2	4.4	0.1	52.1	1.2	70.1	2.5	213.7	3.8	..	9.0	..	85.9
Affiliated overseas areas [a]	1952/53	..	71.7	45.0	1.2	14.6	0.6	43.1	1.0	555.1	19.3	442.6	17.1	..	48.8	..	159.7
	1953/54	..	74.9	35.9	0.8	125.5	5.1	6.8	0.3	299.0	9.9	624.1	18.1	..	32.3	..	141.4
	1954/55	..	62.7	13.8	0.6	431.8	14.9	21.1	0.9	367.3	9.3	492.6	18.2	..	23.3	..	129.9
Other overseas countries	1952/53	..	0.4	21.8	0.8	9.7	0.6	127.3	4.3	1.8	..	108.3	2.8	..	2.7	..	11.6
	1953/54	..	1.5	31.1	1.2	12.0	0.8	12.8	0.6	16.3	0.5	202.3	4.7	..	0.1	..	9.4
	1954/55	..	4.2	45.1	1.4	3.2	0.5	143.8	3.0	71.1	2.1	198.6	4.6	..	1.3	..	17.1
Western Europe .	1952/53	..	44.5	484.1	17.9	428.0	17.7	188.6	7.4	1 013.3	35.5	471.4	16.3	..	44.2	..	183.5
	1953/54	..	44.3	443.1	15.7	715.0	22.6	328.6	9.4	1 102.1	33.6	559.7	17.6	..	63.2	..	206.4
	1954/55	..	52.1	329.1	11.5	1 179.0	33.0	281.0	8.3	1 239.6	37.2	961.0	28.5	..	89.1	..	259.7
Eastern Europe .	1952/53	..	—	53.7	1.8	25.2	0.9	230.7	4.6	21.3	0.6	1.1	0.2	..	2.3	..	10.4
	1953/54	..	0.5	187.7	5.6	76.5	2.4	123.4	2.4	129.1	2.1	10.1	0.2	..	10.7	..	23.9
	1954/55	..	1.4	349.9	11.3	140.8	3.7	137.9	2.5	191.0	3.5	9.3	0.2	..	20.4	..	43.0
Not allocated [b] .	1952/53	..	—	—	—	—	—	5.5	0.1	1.6	0.1	—	—	..	—	..	0.2
	1953/54	..	—	—	—	—	—	2.0	0.1	2.7	0.5	—	—	..	0.2	..	0.8
	1954/55	..	0.6	—	—	5.7	0.2	0.1	—	4.8	0.2	6.4	0.2	..	—	..	1.2
Total	1952/53	..	256.0	923.6	41.1	672.1	30.5	767.1	30.8	2 068.0	76.6	1 283.8	47.3	..	143.9	..	626.2
	1953/54	..	263.0	958.2	40.2	1 167.4	43.0	578.4	22.8	2 029.0	68.4	1 922.2	54.9	..	141.7	..	634.0
	1954/55	..	267.5	1 009.8	42.7	2 002.3	63.8	781.7	27.6	2 277.8	72.2	2 221.2	67.8	..	164.5	..	706.1

Sources : See Table IX.

[a] Excluding the sterling area.

[b] Includes small quantities imported from " Other overseas countries ".

TABLE XXII

Imports of fats and oils into selected Western European countries by area of origin

Values in millions of current dollars, c.i.f.

ea of origin	Year July/ June	IMPORTING COUNTRY							
		United Kingdom	France	Western Germany	Italy	Belgium-Luxembourg	Netherlands	Sweden	Total of countries listed
d States . .	1952/53	4.9	1.3	14.2	10.0	4.3	8.2	. .	42.9
	1953/54	12.7	2.5	16.7	8.4	5.2	22.0	—	67.5
	1954/55	18.5	3.6	29.8	13.8	9.4	30.8	0.3	106.2
da	1952/53	2.3	—	. .	0.1	0.4	0.1	. .	2.9
	1953/54	2.2	—	0.4	. .	0.2	0.1	—	2.9
	1954/55	0.9	—	2.6	. .	. .	0.2	—	3.7
dollar area	1952/53	0.1	0.1	0.2	0.6	—	0.2	. .	1.2
	1953/54	0.2	0.3	6.5	0.3	. .	. .	1.0	8.3
	1954/55	0.1	0.1	2.7	. .	. .	. .	0.3	3.2
of dollar a	1952/53	7.3	1.4	14.4	10.7	4.7	8.5	. .	47.0
	1953/54	15.1	2.8	23.6	8.7	5.4	22.1	1.0	78.7
	1954/55	19.5	3.7	35.1	13.8	9.4	31.0	0.6	113.1
dollar Latin nerica	1952/53	5.2	2.5	7.8	2.4	0.4	2.1	1.3	21.7
	1953/54	12.3	3.4	10.3	5.0	1.8	3.9	2.5	39.2
	1954/55	4.1	3.4	15.1	4.6	0.7	1.1	1.1	30.1
eas sterling a	1952/53	134.3	0.3	22.2	16.4	6.3	4.5	0.9	184.9
	1953/54	97.9	0.2	11.0	14.0	1.7	3.7	3.5	132.0
	1954/55	97.7	0.8	24.9	8.9	6.3	4.9	1.2	144.7
ated overseas as [a]	1952/53	7.4	64.2	11.9	6.4	9.5	0.4	0.2	100.0
	1953/54	0.2	70.7	17.5	3.2	10.8	1.2	0.3	103.9
	1954/55	0.5	66.8	10.0	4.0	10.4	2.2	0.2	94.1
overseas ntries	1952/53	5.3	0.8	18.1	4.2	3.1	20.0	0.6	52.1
	1953/54	6.7	1.1	20.3	3.4	2.4	22.7	2.1	58.7
	1954/55	3.2	1.4	14.7	2.7	1.7	13.2	3.2	40.1
rn Europe .	1952/53	10.1	8.1	68.9	14.3	3.8	4.6	7.5	117.3
	1953/54	9.7	7.6	59.5	16.4	5.9	6.4	7.9	113.4
	1954/55	16.9	9.7	55.6	17.4	8.6	8.5	7.2	123.9
n Europe .	1952/53	0.2	—	0.4	0.1	0.8	0.4	. .	1.9
	1953/54	. .	—	1.4	. .	. .	0.6	—	2.0
	1954/55	. .	—	2.7	. .	. .	0.4	—	3.1
llocated . .	1952/53	4.9	—	0.2	—	—	3.5	0.2	8.8
	1953/54	3.8	—	—	0.4	0.6	2.2	—	7.0
	1954/55	5.3	—	—	0.2	0.2	2.3	—	8.0
al	1952/53	174.7	77.3	143.9	54.5	28.6	44.0	10.7	533.7
	1953/54	145.7	85.8	143.6	51.1	28.6	62.8	17.3	534.9
	1954/55	147.2	85.8	158.1	51.6	37.3	63.6	13.5	557.1

rces : See Table IX.

[a] Excluding the sterling area.

TABLE XXIII

Imports of copper into selected Western European countries by area of origin

Quantities in thousands of tons ; values in millions of current dollars, c.i.f.

Area of origin	Year July/ June	IMPORTING COUNTRY															
		United Kingdom		France		Western Germany		Italy		Belgium Luxembourg		Netherlands		Sweden		Total of countries listed	
		Q	V	Q	V	Q	V	Q	V	Q	V	Q	V	Q	V	Q	V
United States . .	1952/53	29.3	23.1	26.2	21.4	13.4	12.5	11.6	8.6	—	—	4.9	3.7	2.3	2.1	87.7	71.4
	1953/54	22.5	15.0	16.1	11.3	27.5	17.5	6.6	4.9	1.0	0.6	10.1	6.6	1.9	1.4	85.7	57.3
	1954/55	33.2	26.6	46.0	35.8	48.1	35.6	15.3	10.6	1.6	1.2	15.7	11.6	6.8	5.1	166.7	126.5
Canada	1952/53	35.6	27.2	6.4	5.2	0.4	0.3	0.4	0.3	—	—	0.1	0.1	0.4	0.3	43.3	33.4
	1953/54	60.5	40.8	3.6	2.4	1.7	1.2	—	—	—	—	0.1	0.1	0.4	0.3	66.3	44.8
	1954/55	66.6	53.1	7.1	5.5	1.0	0.9	..	..	—	—	—	—	—	—	74.7	59.5
Other dollar area	1952/53	..	..	—	—	3.0	2.4	1.6	1.3	—	—	—	—	—	—	4.6	3.7
	1953/54	..	..	—	—	1.7	1.1	—	—	—	—	—	—	—	—	1.7	1.1
	1954/55	1.2	0.9	—	—	13.0	9.4	..	..	—	—	—	—	0.1	0.1	14.3	10.4
Total of dollar area	1952/53	64.9	50.3	32.6	26.6	16.8	15.2	13.6	10.2	—	—	5.0	3.8	2.7	2.4	135.6	108.5
	1953/54	83.0	55.8	19.7	13.7	30.9	19.8	6.6	4.9	1.0	0.6	10.2	6.7	2.3	1.7	153.7	103.2
	1954/55	101.0	80.6	53.1	41.3	62.1	45.9	15.3	10.6	1.6	1.2	15.7	11.6	6.9	5.2	255.7	196.4
Non-dollar Latin America	1952/53	0.8	0.5	6.6	5.3	14.5	12.5	19.0	17.0	—	—	—	—	0.3	0.3	41.2	35.6
	1953/54	9.6	6.3	2.9	2.1	16.0	10.3	0.7	0.8	0.2	0.1	—	—	0.2	0.2	29.6	19.8
	1954/55	56.6	43.1	2.2	1.6	61.4	45.0	19.6	13.5	3.0	1.6	2.9	2.1	4.5	3.2	150.2	110.1
Overseas sterling area	1952/53	252.1	169.2	2.9	2.3	13.1	8.6	14.1	12.4	15.3	9.6	—	—	14.3	10.4	311.8	212.5
	1953/54	245.5	158.5	7.8	5.1	26.2	15.8	19.9	12.5	14.0	8.0	—	—	19.8	12.5	333.2	212.4
	1954/55	216.2	163.3	8.4	6.1	20.0	13.3	30.9	20.8	15.2	9.7	—	—	15.0	11.3	305.7	224.5
Affiliated overseas areas [a]	1952/53	..	..	44.4	35.1	—	—	14.6	11.0	114.7	89.6	—	—	0.5	0.3	174.2	136.0
	1953/54	4.0	2.6	34.1	22.6	0.1	—	12.8	8.5	154.6	108.5	0.3	0.2	4.1	2.8	210.0	145.2
	1954/55	5.9	4.4	43.2	33.3	0.2	0.2	6.2	4.3	143.5	108.6	—	—	—	—	199.0	150.8
Other overseas countries	1952/53	..	..	0.2	0.2	0.2	0.3	0.3	0.2	—	—	—	—	—	—	0.7	0.7
	1953/54	..	..	—	—	1.2	0.2	—	—	—	—	—	—	—	—	1.2	0.2
	1954/55	1.7	1.4	1.9	1.5	0.9	0.7	..	..	0.3	0.2	—	—	0.2	0.1	5.0	3.9
Western Europe	1952/53	52.2	40.2	46.4	37.4	62.5	37.6	24.9	18.4	10.4	6.8	6.5	4.7	19.8	14.0	222.7	159.1
	1953/54	28.4	19.1	34.3	24.1	104.7	60.0	34.0	20.2	16.2	9.7	12.7	8.2	29.5	20.0	259.8	161.3
	1954/55	33.4	25.4	46.3	34.5	89.7	59.2	14.3	9.8	6.2	4.1	14.2	10.0	31.0	21.9	235.1	164.9
Not allocated [b]	1952/53	0.2	0.1	—	—	—	—	—	—	—	—	—	—	—	—	0.2	0.1
	1953/54	2.5	1.7	—	—	—	—	—	—	—	—	—	—	—	—	2.5	1.7
	1954/55	—	—	—	—	—	—	3.3	2.3	—	—	—	—	—	—	3.3	2.3
Total [b]	1952/53	370.2	260.3	133.1	106.9	107.1	74.2	86.5	69.2	140.4	106.0	11.5	8.5	37.6	27.4	886.4	652.5
	1953/54	373.0	244.0	98.8	67.6	179.1	106.1	74.0	46.9	186.0	126.9	23.2	15.1	55.9	37.2	990.0	643.8
	1954/55	414.8	318.2	155.1	118.3	234.3	164.3	89.6	61.3	169.8	125.4	32.8	23.7	57.6	41.7	1154.0	852.9

Sources : See Table IX.

[a] Excluding the sterling area.

[b] Includes very small quantities imported from eastern Europe

TABLE XXIV

Population projections by major age groups for selected western European countries—1951 to 1971

Thousands

Country	Age group	Men					Women				
		1951	1956	1961	1966	1971	1951	1956	1961	1966	1971
Austria	0-14	806	778	741	712	712	776	749	710	687	685
	15-39	1 055	1 100	1 209	1 243	1 238	1 233	1 214	1 266	1 221	1 205
	40-64	1 047	1 054	990	969	952	1 279	1 307	1 247	1 251	1 202
	65 →	306	322	339	379	426	426	472	518	566	609
	Total	3 214	3 254	3 279	3 303	3 328	3 714	3 742	3 741	3 725	3 701
Belgium	0-14	920	988	1 050	1 021	1 000	896	950	1 006	976	955
	15-39	1 547	1 518	1 540	1 535	1 551	1 514	1 485	1 509	1 509	1 517
	40-64	1 360	1 407	1 371	1 407	1 399	1 454	1 493	1 437	1 451	1 436
	65 →	430	450	472	513	562	533	580	631	692	751
	Total	4 257	4 363	4 433	4 476	4 512	4 397	4 508	4 583	4 628	4 659
Denmark	0-14	577	607	593	579	605	554	580	565	551	576
	15-39	764	762	805	856	897	767	759	792	831	865
	40-64	602	648	680	700	700	635	678	707	724	719
	65 →	184	204	224	246	269	206	230	253	280	306
	Total	2 127	2 221	2 302	2 381	2 471	2 162	2 247	2 317	2 386	2 466
Finland	0-14	616	670	704	684	713	593	644	676	654	680
	15-39	731	745	806	907	964	772	770	806	887	940
	40-64	479	521	541	569	597	572	622	656	688	706
	65 →	100	109	119	133	152	167	184	199	222	248
	Total	1 926	2 045	2 170	2 293	2 426	2 104	2 220	2 337	2 451	2 574
France	0-14	4 821	5 395	5 888	5 602	5 437	4 683	5 205	5 667	5 383	5 217
	15-39	7 462	7 427	7 666	7 991	8 268	7 243	7 174	7 424	7 760	8 042
	40-64	6 143	6 341	6 211	6 433	6 522	6 984	6 980	6 583	6 675	6 708
	65 →	1 878	1 886	1 875	2 064	2 314	2 906	3 082	3 218	3 364	3 506
	Total	20 304	21 049	21 640	22 090	22 541	21 816	22 441	22 892	23 182	23 473
Western Germany [a]	0-14	5 706	5 191	5 280	5 230	5 172	5 461	4 945	5 004	4 946	4 889
	15-39	7 825	8 613	8 955	9 158	9 048	9 022	9 285	9 150	8 870	8 742
	40-64	7 083	7 182	7 006	6 840	6 816	8 632	8 944	8 883	8 926	8 622
	65 →	2 044	2 191	2 309	2 606	2 930	2 533	2 881	3 243	3 621	3 998
	Total	22 658	23 177	23 550	23 834	23 966	25 648	26 055	26 280	26 363	26 251
Netherlands	0-14	1 537	1 683	1 773	1 717	1 730	1 462	1 596	1 680	1 628	1 640
	15-39	1 896	1 972	2 096	2 319	2 480	1 898	1 948	2 044	2 229	2 373
	40-64	1 271	1 380	1 473	1 586	1 680	1 342	1 458	1 550	1 657	1 729
	65 →	380	429	482	539	605	414	469	530	598	675
	Total	5 084	5 464	5 824	6 161	6 495	5 116	5 471	5 804	6 112	6 417
Norway	0-14	411	461	486	480	479	391	436	459	453	453
	15-39	612	589	591	618	657	598	575	571	594	631
	40-64	462	508	545	570	573	491	530	564	582	577
	65 →	141	158	181	208	233	174	193	217	246	271
	Total	1 626	1 716	1 803	1 876	1 942	1 654	1 734	1 811	1 875	1 932
Sweden	0-14	844	886	838	777	762	807	843	795	736	722
	15-39	1 260	1 216	1 237	1 274	1 309	1 235	1 197	1 213	1 241	1 263
	40-64	1 067	1 149	1 216	1 256	1 238	1 107	1 173	1 224	1 254	1 234
	65 →	335	365	396	433	477	386	422	459	498	542
	Total	3 506	3 616	3 687	3 740	3 786	3 535	3 635	3 691	3 729	3 761
Switzerland	0-14	566	610	598	565	548	546	588	575	542	525
	15-39	831	813	845	874	907	869	834	863	881	891
	40-64	685	723	748	770	771	768	808	818	832	833
	65 →	192	208	226	259	294	260	284	313	356	404
	Total	2 274	2 354	2 417	2 468	2 520	2 443	2 514	2 569	2 611	2 653
United Kingdom	0-14	5 776	6 020	6 002	5 584	5 418	5 536	5 745	5 720	5 311	5 145
	15-39	8 907	8 636	8 719	9 011	9 217	9 009	8 624	8 597	8 783	8 904
	40-64	7 468	7 908	8 155	8 397	8 312	8 347	8 662	8 747	8 858	8 692
	65 →	2 267	2 355	2 546	2 806	3 179	3 222	3 487	3 818	4 146	4 504
	Total	24 418	24 919	25 422	25 798	26 126	26 114	26 518	26 882	27 098	27 245
Italy		Total population									
	0-14	12 248	11 900	12 211	11 901	12 054					
	15-64	30 687	32 211	33 317	34 749	35 702					
	65 →	3 803	4 119	4 479	4 961	5 515					
	Total	46 738	48 230	50 007	51 611	53 271					

Sources and methods : See Appendix C.

NOTE. — The data refer to the beginning of each year.

[a] For western Germany data refer to 1952, 1957, 1962, 1967, 1972.

TABLE XXV

Government borrowing in the Soviet Union

Billions of roubles

Year	Nominal value of state loan floated during year	Subscriptions to state loans [a]	*Less* redemptions [b]	Net increase in saving bank deposits [c]	Net government borrowing (sum of the previous three columns)
1951	34.5	32.6	— 4.9	4.0	31.7
1952	35.7	36.3	— 6.8	4.1	33.6
1953	15.3	17.3	— 9.8	12.0	19.5
1954	17.5	15.9 [d]	—10.2	9.6	15.3
1955 Plan	..	30.5	—12.2	10.0	28.3
Actual . . .	34.3	..	..	6.8 [e]	..

Sources: **Savings bank deposits:** *Voprosy Ekonomiki*, No. 6, 1954; *Bolshevik*, No. 9, 1952; V. I. Kruglov *Ochet i otchetnost v sberegatelnykh, kasakh*, 1954, page 3; and budget statements. **State loan:** 1951—*Pravda*, 3 and 16 May 1951; 1952—*Pravda*, 6 and 10 May 1952; 1953—*Pravda*, 25 and 28 June 1953; 1954—*Pravda*, 16 June 1954; 1955—*Trud*, 13 May 1955, and *Pravda*, 20 May 1955. **Loans paid up:** (total budget receipts from borrowing *less* Savings Bank increase): *Voprosy Ekonomiki*, No. 6, 1954, page 5, and *Izvestia*, 22 April 1954 and 4 February 1955. **Loan service:** Budget statements, except for 1951: *Voprosy Ekonomiki*, No. 6, 1954.

[a] Including the balance due on subscriptions not fully paid up in the previous year.

[b] Including also interest, which cannot be separated.

[c] Including deposits bv organizations (17 per cent of deposits in 1934) and re-invested interest.

[d] Plan.

[e] The total of deposits was 55 billion roubles at the end of 1955, as compared with 18.5 billion at the end of 1950.

TABLE XXVI

Expansion of producer-goods output in the Soviet Fifth and Sixth Five-year Plans

Percentage increases

	Fifth Five-year Plan 1951-1955	Sixth Five-year Plan 1956-1960
uel and power		
Coal	50	52
Oil	87	91
Gas	67	288
Peat	30	44
Shale	130 [a]	67
Electric power	87	88
of which: hydro-electric power	77	155
errous metallurgy		
Iron ore	..	59
Pig-iron	74	59
Crude steel	66	51
Rolled metal	69	52
of which: Hot rolled sheet	..	120
Cold rolled sheet	..	300
Steel pipe	76	170 [b]
on-ferrous metallurgy		
Refined copper	62 *	60
Tin	80 [a]	..
Aluminium	160 [a]	110
Lead	102 [c]	42
Zinc	72 [c]	77
Nickel	53 [a]	64
Molybdenum products	..	100
Tungsten concentrates	..	57
Magnesium	..	110
eavy and electrical engineering		
Coal-mining equipment	43	..
Metallurgical equipment	28	63
Rolling-mill equipment	66	82
Chemical equipment	163	84
Oil equipment	50	148
Steam and gas turbines	66 [d]	158
Hydraulic turbines	380	73
Generators	460	143
Large steam boilers	310	..
Metal-cutting machine tools:		
Numbers	46	91
Weight	120	49
Ball and roller bearings	135	..
Forging and pressing equipment	..	91
of which: Heavy	700 [a]	300
Casting equipment	..	700
Automation and control equipment	170 [a]	300
Instruments	180	347
Calculating machines and electronic computers	614 [e]	350
Electrical measuring instruments	..	260
Optical-mechanical instruments	..	200
Electro-vacuum apparatus	..	160
Radio apparatus	300	200 [f]
Transport engineering		
Electric locomotives	229	184
Diesel locomotives	..	1 100
Goods wagons	..	51
Railway passenger coaches	..	58
Motor vehicles	21	46
of which: Lorries	33 [a]	32
Buses	120	88
Motor-cars	49 [a]	86
Trailers for lorries and tractors	..	330
Automobile spare parts	200	120
Ships and tankers	190 [a]	30
Fishing boats and tenders	280 [a]	290
Agricultural machinery		
Tractors	50	97
of which : Tractor cultivators	f	170
Agricultural machinery	..	62
Grain combines	4	192
Construction and road-building machinery		
Excavators	62	200
Auto-graders	..	300
Equipment for production of		
Building materials	180	..
Pre-cast concrete	260 *	400
Chemicals		
Caustic soda	73	77
Calcined soda	88	68
Ammonia	..	87
Sulphuric acid	..	91
Synthetic alcohol	..	900
Synthetic rubber	67	120
Automobile tyres	42 *	100
Mineral fertilizers	75	104
Timber and paper		
Marketable timber	22	34
Sawn timber	76 *	38
Paper	55	47
Building materials		
Asbestos, kaolin, mica, etc.	150	80
Cement	121	145
Slate	239	105
Glass	80	..
of which: window glass	18	56
Reinforced concrete sections	..	480
Bricks	102	..
Lime	..	110
Soft roofing	81	90
Walling materials	130 [a]	140
Ceramic components	280	..
Sanitary ware	150	..

Sources: See Appendix C.

Planned.

Large-diameter welded pipes.

1954 output.

Steam turbines only.

[e] Calculating machines only. The first electronic computer was completed in 1955 (*Pravda*, 4 December 1955).

[f] Radio-measuring instruments only.

[g] Production began in 1950.

TABLE XXVII

Expansion of consumer-goods output in the Soviet Fifth and Sixth Five-year Plans

Percentage increases over year preceding the start of each plan

Commodity	Fifth Five-year Plan	Sixth Five-year Plan
Cotton fabrics	51	23
Woollen fabrics	62	45
Linen fabrics	—27	82
Silk fabrics	305	104
Of which : Rayon	104	199
Ready-made clothing	70	52
Knitwear	102*	35
Leather footwear	32	53
Clocks and watches	160	71
Radio and television sets	272	155
Refrigerators	392[a]	320
Washing machines	2 320[b]	510
Sewing machines	228	135
Motor-cycles	81	62
Bicycles	344	47
Furniture	180	106
Granulated sugar	36	91
Meat[c]	68	78
Fish catch	56	57
Dairy products[d]	125	86
Of which : Butter	37	56
Vegetable oil	43	65
Tinned foods	112	78

Sources : Table XXX and *Pravda*, 15 January and 15 February 1956.

[a] Increase over 1952.

[b] Increase over 1953.

[c] State industry only.

[d] In milk equivalent.

TABLE: XXVIII

Share of new plants in output increases planned for certain industries in the Soviet Sixth Five-year Plan

Commodity	Percentage	Commodity	Percentage
Cardboard	88	Zinc	53
Aluminium	80	Excavators	52
Motor vehicle tyres	76	Food canning	49
Light oil products	75	Caustic soda	47
Soft roofing	73	Hydro-turbines	46
Forging and pressing equipment	71	Motor vehicles	45
Calcined soda	70	Slate	44
Cement	68	Paper	44
Lead	66	Linen fabrics	44
Ammonia	66	Nickel	40
Pig iron	65	Refined sugar	37
Coal	65	Meat processing	37
Chemical equipment	65	Transformers	36
Leather footwear	64	Vegetable oil	36
Wool fabrics	61	Metal-cutting machine-tools	35
Rolled steel	60	Tractors	31
Electric locomotives	60	Window glass	14
Refined copper	58	Railway passenger coaches	11
Crude steel	53		

Sources : *Pravda*, 15 January 1956.

TABLE XXIX

Gross industrial output by Republics of the Soviet Union

As multiples of output in the base year

	1950 Plan	1954 Actual	1955 Actual	1960 Plan
	1940 = 1	1950 = 1		1955 = 1
Russia	1.56	1.6 [a]	1.7 [a]	1.7
Ukraine	1.0	1.7	1.9	1.7
Byelorussia	1.16	1.7	..	1.7
Uzbekistan	1.89	1.78	..	1.6
Kazakhstan	2.2	1.53	1.78	2.2
Georgia	1.50	1.6 *	1.76 *	1.6
Azerbaidzhan	1.18	1.45 *	1.55 *	1.4
Lithuania	1.80	2.0	2.5	1.8
Moldavia	1.78	..	2.4 [b]	1.7
Latvia	1.80	1.74	2.0	1.6
Kirgizia	2.1	1.6 [b]	1.75	1.7
Tadzhikistan	1.56	1.7 *	..	1.4
Armenia	2.1	1.79	2.0	1.7
Turkmenia	1.76	1.6	1.82	1.6
Estonia	3.0		2.0	1.6
Karelo-Finland	1.11	..	..	1.6
Soviet Union	1.48	1.65	1.85	1.65

Sources : See Appendix C.

[a] Industry under republican and local jurisdiction only.

[b] Plan.

TABLE XXX

Soviet industrial production in the Fifth and Sixth Five-year Plans

Commodity	Unit	1940 Actual	1950 Actual	1954 Actual	1955 Plan [a]	1955 Actual	1960 Plan
ENERGY							
Coal [b]	Million tons	166	261	346	*372*	391	*593*
Coal and shale gas [c]	Billion cubic metres	..	6	..	*11*	2	*4*
Natural gas		..		7		8	*36*
Crude oil	Million tons	31.0	37.8	59.0 ▪	*70.0*	70.7	*135*
Peat		32.1	42.4	52	*54*	55	*79*
Electric power	Million MWh	48.3	91	150 ▪	*163*	170	*320*
Atomic power		—	—	0.007	—	0.014	*17.5*
Aggregate in coal equivalent [d]	Index 1940=100	100	150	204 ▪	*226*	232	*377*
METALS							
Pig-iron	Million tons	15	19	30	*34*	33	*53*
Crude steel		18	27	41	*44*	45	*68*
Rolled products		13	21	32	*34*	35	*53*
Steel rails		1.24 [e]	1.3 [f]	2.30	..	..	..
ENGINEERING							
Gross volume of output	Index 1940=100	100	230	437	*460*	506	*910*
Heavy engineering							
Oil industry equipment	Thousand tons	10.7	32.3	..	*113*	48.4	*120*
Steam turbines	Million kW	1.4	2.5	4.3	*5.8*	4.1	*10.5*
Hydro turbines			0.3	1.2	*2.3*	1.5	*2.6*
Generators		..	0.8	3.9	..	4.5	*11*
Metallurgical equipment	Thousand tons	28	134	153	*248*	172	*280*
Forging-pressing equipment	Thousand units	..	..	7.3	..	13.5	*25.8*
Metal-cutting machine tools		50	72 ▪	92	*105*	105	*200*
Instruments	Billion roubles [g]	..	0.7	..	..	2	*7*
Chemical equipment	Thousand tons	..	43	109	*140*	113	*208*
Transport engineering							
Electric locomotives	Units	—	85	157	..	194	*550*
Diesel locomotives		—	..	..	..	136	*1 630*
Goods wagons	Thousand	47 [h]	*146* [h]	24	..	34	*52*
Passenger coaches		1 *	2.6	..	..	1.77	*2.8*
Motor vehicles	Thousand	147	368	405	*442*	445	*650*
Motor-cycles		..	135	190	*(225)* [g]	244	*395*
Agricultural engineering							
All agricultural machinery [l]	Billion roubles [g]	0.4 *	2.5 *	4.8 *	..	5.9	*9.5*
Tractors	Thousand	31	109	136	*81* *	163	*322*
Grain combines		13	46	39	..	48	*140*
Windrowers		—	—	0.7	—	2.5	*50*
Light engineering							
Bicycles	Million	0.27	0.64	2.38	*2.29 (3.45)*	2.88	*4.23*
Domestic sewing machines		0.17	0.49	1.27 ▪	*1.18 (2.62)*	1.61	*3.78*
Domestic washing machines	Thousand	—	—	46 ▪	*(196)*	87	*528*
Domestic refrigerators		1 *	..	94 ▪	*200*	151	*635*
Wireless sets	Million	0.2	1.05	2.89	*(3.77 ▪)*	3.53	*10.2*
Television sets		—	0.03	0.25	*(0.76)*	0.49	
Cameras	Thousand	40 *	260 *	770 *	*(1 000)*	1 020 *	..
Clocks and watches	Million	2.6	7.6	16	*16.1 (22.0)*	19.7	*33.6*

Sources : See Appendix C.

NOTE. — Figures italicized are of planned output.

[a] As adopted by the XIX Party Congress in October 1952; the figures in parentheses represent the supplementary goals envisaged in the decrees on the expansion of consumer goods output of October 1953.

[b] Hard coal, brown coal and lignite on a ton-for-ton basis.

[c] Excluding underground gasification of coal.

[d] In tons of coal of 7,000 calories. Excludes firewood, gas (natural and underground gasification of coal) and combustible shale.

[e] 1938.

1951.

[g] At 1 July 1955 prices.

[h] In 2-axle units.

TABLE XXX *(continued)*

Soviet industrial production in the Fifth and Sixth Five-year Plans

Commodity	Unit	1940 Actual	1950 Actual	1954 Actual	1955 Plan [a]	1955 Actual	1960 Plan
CHEMICALS							
Caustic soda	Thousand tons	..	327	500	*585*	565	*1 000*
Calcined soda (soda ash)		600 *	765	1 320	*1 410*	1 440	*2 420*
Mineral fertilizers	Million tons	2.6	5.5 ▪	8.0	*9.6*	9.6	*19.6*
Artificial fibres:							
Staple fibre and rayon	Thousand tons	23	54	..	*253*	110	*286*
Synthetic polymers (nylon type)		—	2 *	..		9	*44*
Glass fibre		—	—	..	..	..	*5*
Artificial leather	Million square metres	—	..	..	..	..	*51*
Rubber footwear	Million pairs	68	105	*105*	*(109)*	112 *	..
Soap	Million tons (40% fatty acid equivalent)	0.6 *	0.8	1.0	*(1.2)*	1.0	..
Dyestuffs	Thousand tons	35	51.8	69.9	..	81.1	..
WOODWORKING							
Marketable timber	Million cubic metres	119	162	190 ▪	*253*	197	*264*
Sawn timber		30 *	33 *	..	*50 **	58	*80*
Paper	Million tons	0.81	1.19	1.76	*1.74*	1.86	*2.72*
Furniture	Billion roubles [g]	..	2.5	6.6	*(7.7)*	7.1	*14.6*
Pianos	Thousands	13 *	15 *	31 *	*42 **	42 *	..
Matches	Billion boxes	11 *	10 *	16 *	..	19 *	..
BUILDING MATERIALS							
Gross volume of output [j]	Index 1940 = 100	100	209	403	*420*	460	..
Cement	Million tons	5.8	10.1 ▪	19.0 ▪	*22.7*	22.4	*55*
Slate	Billion sheets	0.21	0.44	0.97 ▪	*1.14*	1.49	*3.05*
Window glass	Million square metres	44	84	86	..	99	*155*
Bricks	Billion	7 *	12 *	21 *	*23 **	24 *	..
Asbestos, kaolin, mica	Million cubic metres	100 *	65 [k]	..	..	160 [k]	*290* [k]
Precast concrete sections		—	1 [l]	3	..	5	*29*
TEXTILES AND CLOTHING							
Cotton fabrics	Billion metres	3.84	3.90	5.55	*6.18 (6.27)*	5.90	*7.27*
Linen fabrics	Million metres	270	420	290 ▪	*(406)*	305	*556*
Wool fabrics		120	155	242	*239 (271)*	251	*363*
Silk fabrics [m]		78	130	516	*400 (573)*	526	*1 074*
Knitwear	Million	187 ▪	213 *	406 ▪	*(470)*	431	*580*
Ready-made clothing	Billion roubles [g]	..	30 *	46.2	*49 (50)*	51.3	*78*
Leather footwear	Million pairs	205	226	281	*318 (318)*	299	*455*
FOOD, DRINK AND TOBACCO							
Meat [n]	Million tons	1.15	1.27	2.16 ▪	*2.43 (2.55)*	2.22	*3.95*
Sausage products		0.40	0.48	0.77	*(0.85)*	0.83	..
Fish		1.4	1.7	2.6	*2.7 (3.2)*	2.7	*4.2*
Dairy produce [o]		..	8.5	11.1	..	13.5	*25*
Butter	Thousand tons	206	319	369	*550 (560)*	436	*680*
Cheese		37.1	48.2	86.3	*112 (135)*	105.3	..
Margarine		118	194	357	*350 (450)*	364	..
Vegetable oil	Million tons	0.71	0.78	1.23	*1.38 (1.50)*	1.12	*1.84*
Granulated sugar		2.15	2.53	2.61	*4.5 (4.8)*	3.42	*6.53*
Macaroni products	Thousand tons	370 *	442	880	*(1 030)*	994	..
Tinned foods	Billion tins	1.0	1.48	2.6	*3.0*	3.14	*5.58*
Beer	Million decalitres	112	129	185	*224 (232)*	..	..
Wine		16.5	14.4	32.9	*33 (34.5)*	34.5	..
Champagne	Million bottles	8	14	18	(20)	22	..
Cigarettes	Billion	100	125	207	*(215)*	..	..

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[i] The values for 1955 and 1960 appear to exclude tractors: the index numbers used to work the series back from 1955 include tractors produced by the Ministry of Tractor and Agricultural Engineering, but exclude agricultural machinery produced by other Ministries.

[j] Ministry of Building Materials only.

[k] Possibly output of Ministry of Building Materials only.

[l] 1952.

[m] Including artificial fibres.

[n] State industry only.

[o] In whole milk equivalent.

Table XXXI

Industrial production in Bulgaria

Commodity	Unit	1953 Actual	1954 Actual	1955		1956 Plan	1957 Plan
				Plan	Actual	published in 1955	1954
Mining							
Lignite [a]	Million tons	8.4	9.0	10.4	10.3	11.7	14.0
Electric power	Million MWh	1.6	1.8	2.1	2.1	2.4	2.8
Basic materials							
Pig-iron	Thousand tons	..	..	..	..	..	113
Crude steel		..	..	..	..	..	250
Rolled products		..	..	..	..	..	180
Lead		2.7	3	..	3.4	..	10
Zinc		..	..	..	..	..	4.5
Chemicals							
Sulphuric acid [b]	Thousand tons	24.1	25.5	..	32.4	..	39.9
Building materials							
Cement	Thousand tons	714	793	879	825	881	1 210
Bricks	Million	567	618	..	655	..	..
Light industries							
Cotton fabrics	Million metres	119	125	133	139	145	147
Footwear	Million pairs	1.3	2	..	..	..	4.8
Paper	Thousand tons	28	30	..	38	..	38

Sources : Plan and plan fulfilment reports.

Note. — For figures for earlier years see *Economic Survey of Europe in 1954*, Table LVI, p. 265.

[a] Including a small proportion of hard coal.

[b] 100 per cent of H_2SO_4.

TABLE XXXII

Industrial production in Czechoslovakia

Commodity	Unit	1953	1954	1954		1955		1956	1960
		Physical units		Index numbers — Previous year=100					Index numbers 1955=100
		Actual		Plan [a]	Actual	Plan [b]	Actual	Plan [c]	Plan
Mining									
Hard coal	Million tons	20.3	21.5	108.5	111.3	106.2	107.9	106	
Brown coal (including lignite)		34.4	38.7	107.9	110.2	109.3	105.2	112	137
Iron ore		2.5	2.5	110.4	100	..	111.0	118.5 [e]	..
Electric power	Million MWh	12.4	13.6	112.2	109.7	110	110.3	110.3	170
Basic materials	Index number	—	—	..	..	..	..	..	150
Pig-iron	Million tons	2.8	2.8	108.3	100	..	107.1	112.6	130
Crude steel		4.4	4.3	104.5	97.7	107	104.7	113.1 [f]	120
Rolled products		2.9	3.0	113.4	102.0	..	107	108	115
Chemical industry		—	—	..	..	..	..	111 [f]	..
Sulphuric acid	Thousand tons	312	343	..	110	..	..	111.4	150
Nitrogenous fertilizer [g]		38	42	119.3	110	140	157	113.5	300
Phosphate fertilizer [h]		74	90	119.8	121	122	117	108	
Rayon	Index number	..	..	114	..	135	..	110	..
Synthetic polymer fibre		..	..	125.8	131	..	..	..	..
Building materials									
Cement	Million tons	2.3	2.5	121.7	110	113	113	109.1	..
Lime		1.1	1.2	117.6	111	..	122	110.4	..
Bricks	Billion	1.3	1.4	117.3	109	116	114	115	..
Engineering industry	Index number	—	—	107.9	..	110.4	109.3	113 [f]	180
Agricultural machinery		—	—	164.4	250	..	187	148	..
Tractors	Thousand	8.1	10.3	..	127	..	152	140	..
Diesel engines	Index number	..	..	..	152	..	..	152	..
Piston compressors		..	..	..	..	..	..	214	..
Machine tools		..	..	..	..	..	..	245	..
Food-processing machinery		..	..	..	..	..	..	160	..
Textile machinery		..	..	..	..	..	..	167	..
Paper and printing machinery		..	..	..	..	..	..	138	..
Wireless sets		..	..	..	..	..	..	200	..
Television sets		..	..	121.5	122	..	..	260	..
Motor-cars		..	..	..	..	..	230	180	..
Light industry [i]		—	—	..	..	121.8	126.7	107.1 [f]	..
Paper	Thousand tons	317	330	103.2	104	..	104	103.2	..
Cellulose	Index number	..	..	102.7	..	..	..	108.5	..
Food industries		—	—	..	..	109.5	113.9	105.7 [f]	..

Sources : *Uřední List, RČS*, No. 115, 17 September 1953; *Statistický Obzor*, No. 2-3, 1954 (given in absolute figures) and No. 10, 1954; *Plánované Hospodářství*, No. 4/1955 (given in absolute figures); *Rudy*, No. 5, 1955; *Hornik*, 21 April 1955, *Hutnik*, No. 5,1955; *Rudé Právo*, 18 and 30 December 1954, 6 January, 3 February, 14, 22 and 23 March, 3 June, 14 August, 16 September, 18 October, 7 and 11 December 1955 and 15 February 1956. *Stavebnik*, 8 November 1955, 3 January 1956; *Prague News Letter*, 22 January 1955.

NOTE. — For figures for earlier years see *Economic Survey of Europe in 1954*, Table LVII, p. 266 and *Economic Bulletin for Europe*, Vol. 7, No. 1, Table II, p. 43.

[a] Plan announced at beginning of year (*Sbírka Zákonů RČS*, 2 February 1954).

[b] Plan announced in August 1954 (*Rudé Právo*, 15 August 1954).

[c] Plan announced in December 1955 (*Rudé Právo*, 11 December 1955).

[e] Plan for 1956 announced in August 1955 (*Rudé Právo*, 14 August 1955) gives an increase of 32.1 per cent over 1955.

[f] Plan announced in August 1955.

[g] In terms of nitrogen content.

[h] In terms of plant nutrient.

[i] Textiles, footwear, paper, etc.

TABLE XXXIII

Industrial production in Eastern Germany

	Unit	1936	1950	1951	1952	1953	1954	1955	
		Actual						Provisional	Plan published in 1951
Mining									
Brown coal	Million tons	101.1	137.0	151.3	158.5	172.8	181.9	201.4	225.2
Brown-coal briquettes		23.5	37.7	41.5	43.6	45.7	46.9	50.9	60.8
Iron ore (gross)		0.4	0.4	0.5	0.8	1.4	1.5	1.7	3.7
Copper ore (gross)		1.1	0.8	1.0	1.0	1.3	1.3	1.3	2.7
Electric power	Million MWh	14.0	19.5	21.5	23.2	24.2	26.0	29.2	33.4
Basic materials									
Pig-iron	Million tons	0.2	0.3	0.3	0.7	1.1	1.3	1.5	2.0
Crude steel ingots		1.2	1.0	1.6	1.9	2.2	2.3	2.5	3.1
Hot-rolled steel [a]		0.9	0.8	1.1	1.3	1.5	1.7	1.8	2.2
Chemicals									
Sulphuric acid (SO_3)	Thousand tons	301	245	289	302	364	434	483	450
Caustic soda (NaOH)		124	150	184	209	221	228	250	300
Calcined soda (Na_2CO_3)		378	103	122	191	297	372	460	640
Nitrogenous fertilizer (N)		229	231	252	257	265	277	292	300
Rayon		12	9	15	17	19	21	22	35
Building materials									
Cement	Million tons	1.7	1.4	1.7	2.0	2.4	2.6	3.0	4.0
Bricks	Billion	3.7	1.4	1.7	1.8	1.9	1.9	2.0	3.3
Light and food industry									
Textiles [b]	Million m^2	. .	289	362	392	434	483	505	525
Natural yarns [c]	Thousand tons	213	171	201	209	229	243	250	262
Knitted outer- and underwear	Million pieces	. .	58	81	102	117	133	118	136
Socks and stockings	Million pairs	322	146	180	167	141	147	140	230
Leather footwear		15	8	11	14	18	19	18	24
Refined sugar [d]	Thousand tons	618	605	738	690	725	733	. .	891

Source : Information supplied by the State Central Statistical Administration.

NOTE. — The figures differ in some cases from the estimates published in the *Economic Survey of Europe in 1954*, Table LVIII, p. 267, and the *Economic Bulletin for Europe*, Vol. 7, No. 1, Table III, p. 44, most of which were based on an estimate for a base year and officially published percentage increases.

[a] After 1950 includes semis for smithies and press workshops.

[b] Excludes cloth for sacks and packaging and so-called rough-yarn cloths.

[c] Excludes rayon, staple fibres and synthetic fibres.

[d] The previously available series referred to raw sugar.

TABLE XXXIV

Industrial production in Hungary

Commodity	Unit	1953 Actual	1954 Actual	1955		1956 Plan
				Plan	Actual	
Mining						
Hard coal and lignite	Million tons	21.3	21.5	22.9	22.3	24.0
Crude oil		0.8	1.2	1.6	1.6	1.7
Electric power	Million MWh	4.6	4.8	5.3	5.4	5.9
Basic materials						
Crude steel	Million tons	1.54	1.49	1.57	1.63	..
Rolled products		0.84	0.82	0.85	0.88	0.93
Alumina	Thousand tons	..	132	160	155	..
Aluminium		..	32.8	..	37.0	41.0
Building materials						
Cement	Million tons	1.06	0.98	..	1.2	..
Bricks	Billion	1.35	1.14	..	1.2	..
Engineering						
Milling cutters	Thousand	..	..	..	0.78	..
Machine drills		..	..	..	2.52	..
Railway carriages		..	..	..	0.30	..
Motor buses		..	1.9 *	..	1.35	..
Wheeled tractors		0.8	3.9	5.8	4.6	..
Bicycles		136	174	219	217	2.82
Sewing machines (domestic)		24.5	28.3	..	46.1	50.0
Wireless sets		155	..	240 [a]	373	..
Light industries						
Cotton fabrics	Million m²	209	227	..	237	..
Woollen fabrics		16.1	21.6	..	26	27.6
Silk fabrics		..	16.3	..	20	21.4
Leather footwear	Million pairs	8.4	10.6	..	12.3	13.4

Sources : Plan and plan fulfilment reports, *Szabad Nép*, 17 November 1955; *Közgazdasági Szemle*, No. 12, 1955, p. 1427.

NOTE. — For figures for earlier years, see *Economic Bulletin for Europe*, Vol. 7, No. 2, Table I, p. 95.

[a] Based on the Plan for 1954.

TABLE XXXV

Industrial production in Poland

Commodity	Unit	1949	1950	1951	1952	1953	1954	1955	1955
		Actual	Actual						Plan published in 1950
Mining									
Hard coal	Million tons	74.1	78.0	82.0	84.4	88.7	91.6	94.3	100.0
Brown coal		4.6	4.8	4.9	5.1	5.6	5.9	6.0	8.4
Iron ore		0.7	0.8	0.9	1.0	1.3	1.6	1.9	3.0
Coke		5.8	6.0	6.4	7.4	7.9	8.5	10.0	9.5
Electric power	Million MWh	8.30	9.42	10.51	11.98	13.68	15.47	17.79	19.3
Basic materials									
Pig-iron	Million tons	1.39	1.53	1.62	1.84	2.36	2.66	3.12	3.5
Crude steel		2.30	2.52	2.79	3.18	3.60	3.95	4.42	4.6
Rolled products		1.5	1.8	2.0	2.2	2.5	2.7	3.0	3.2
Zinc	Thousand tons	108.3	113.6	117.8	124.9	138.4	142.1	156.3	197.6
Chemicals									
Sulphuric acid [a]	Thousand tons	275.8	284.6	277.4	347.9	370.3	419.2	448.5	540.0
Caustic soda		58	65	71	71	82	87	101	162
Calcined soda		162	. .	160	165	180	191	210	389
Nitrogenous fertilizer [a]		73.9	77.8	79.8	75.5	83.9	99.6	154.4	230.8
Phosphorous fertilizer [a]		73.6	82.5	80.5	102.0	108.8	120.7	130.4	250.0
Artificial silk		9.0	9.5	10.5	11.9	13.1	13.9	15.4	16.6
Synthetic polymer fibre	Ton	20.2	37.7	76.2	195.2	292.7	359.3	532.9 [b]	. .
Building materials									
Cement	Million tons	2.3	2.5	2.6	2.6	3.3	3.4	3.8	4.95
Engineering									
Railway wagons	Thousand	15.4	15.8	16.4	16.9	17.4	20.5	21.3	19.4
Motor lorries		0.2	0.8	2.7	7.0	9.5	10.5	10.4	25.0
Motor-cars		—	—	0.08	1.6	1.6	1.7	4.1	12.0
Ships	Thousand DWT	12.3	17.3	26.7	37.2	65.5	88.7	110.3 [b]	. .
Agricultural machinery and equipment	Million zloty [c]	48.5	49.5	60.2	62.5	93.4	150.3	193.9	. .
Tractors	Thousand	2.5	4.0	4.1	6.0	6.9	7.7	7.9	11.0
Metal-working machine tools	Thousand tons	9.4	12.1	13.0	16.8	20.2	26.2	27.8	. .
Metal-working machine tools	Thousand pieces	5.4	4.1	5.9	12.3	10.1	12.5	13.9 [b]	12.2
Wood-working machine tools	Thousand tons	0.4	0.6	0.9	1.5	1.2	1.2	1.5 [b]	. .
Wood-working machine tools	Thousand pieces	0.3	0.5	1.1	1.9	1.2	1.4	1.6 [b]	[d]
Motor-cycles	Thousand	4.2	7.1	11.0	. .	13.7	19.8	30.1	. .
Bicycles		91.1	99.3	124.5	237.0	303.4	373.2	447.8	. .
Wireless sets		66.1	116.1	156.9	215.0	267.6	307.7	461.6	300.0
Light industries									
Cotton yarn	Thousand tons	90.7	92.1	94.2	95.1	103.7	108.8	114.0 [b]	. .
Woollen yarn		38.6	41.9	43.8	44.4	50.2	50.1	51.4 [b]	. .
Cotton fabrics	Million metres	406.3	433.0	463.3	472.6	501.0	526.1	568.2	607.7
Woollen fabrics		50.1	56.4	61.5	64.0	70.4	71.1	75.4	74.9
Silk fabrics		47.7	57.5	66.1	68.1	68.1	74.9	80.9	103.9
Leather footwear	Million pairs	7.3	12.8	18.0	19.6	20.8	22.7	24.1	22.2
Paper	Thousand tons	265.2	292.3	336.8	348.3	355.6	366.2	402.8	530.0
Food industries									
Sugar	Million tons	0.75	0.96	0.86	0.83	1.11	1.04	0.98	1.10
Wine	Thousand hectolitres	158.7	220.9	299.8	390.5	430.5	574.5	683.7	354.0
Beer	Million hectolitres	2.53	3.46	3.79	4.23	4.98	5.25	5.19	6.0
Sea fish	Thousand tons	59.3	66.2	71.8	86.8	89.4	100.0	107.0	. .
Cigarettes	Billion	21.3	25.3	33.0	30.4	32.5	32.5	37.4	30.0

Sources : Plan Fulfilment Report (*Trybuna Ludu*, 1 February 1956) and *Nowe Drogi*, No. 1, 1956, p. 94, which give figures in physical units. For the following products the figures for the years 1951 to 1955 were obtained by applying the annual percentage increases in the plan fulfilment reports to the 1949 figures. (The 1955 plans were published in *Dziennik Ustaw* (Official Gazette), No. 37, 30 August 1950, pp. 427-450): iron ore, rolled products, caustic soda, calcined soda, cement, railway wagons, motor lorries, motor-cars, tractors, motor-cycles, bicycles, wireless sets, cotton fabrics, woollen fabrics, leather footwear and cigarettes.

[a] In pure content.

[b] Provisional.

[c] In constant prices.

[d] Included in metal-working machine tools.

TABLE XXXVI

Industrial production in Rumania

Commodity	Unit	1938	1950	1951	1952	1953	1954	1955		1960
		Actual	Actual	Actual	Actual	Actual	Actual	Actual provisional	Plan published in 1950[a]	Plan published in 1955[b]
Mining										
Coal[c]	Million tons	2.8	3.9	4.6	5.2	5.4	5.5	6.2	8.5	11.8
Crude oil		6.6	5.0	6.2	7.9	9.1	9.8	10.6	10.0	13.5
Methane gas	Billion m³	0.3	2.0	2.6	..	3.5	3.7	3.9	3.9	10.1
Iron ore	Thousand tons	139	392	474	649	..	..	600	750	1 200
Manganese ore		60	93	..	..	..	..	390	..	546
Electric power	Million MWh	1.1	2.1	2.5	2.9	3.4	3.7	4.3	4.7	8.0
Basic materials										
Pig-iron	Thousand tons	133	320	350	390	456	432	575	800	1 150
Crude steel		284	555	644	695	716	627	765	1 252	1 700
Finished rolled products		318	459	523	607	..	502	567	828	1 100
Lead		5.5	8.6	..	..	..	..	11.1	14.6	..
Chemicals										
Sulphuric acid	Thousand tons	43.9	51.6	..	80.6	87.8	73.6	92.0	143.0	210.0
Calcined soda		35.0	54.2	..	..	..	60.2	80.0	97.6	..
Building materials										
Cement	Million tons	0.5	1.0	1.1	1.5	1.9	1.6	2.0	2.9	3.6
Engineering										
Tractors	Thousand	—	3.7	3.5	4.3	5.1	5.3	..	5.0	6.0
Light industries										
Cotton yarn	Thousand tons	16.5	..	..	..	..	..	46.0	..	..
Cotton fabrics	Million m²	104	140	164	190	197	211	245	266	300
Woollen fabrics		12.3	21.3	26.1	27.3	28.9	30.0	31.0	39.4	..
All footwear	Million pairs	..	11.2	13.3	..	..	13.3	17.7	23.4	25.7
Wireless sets	Thousand	..	..	..	..	23	50	90	100	150
Food industries										
Sugar	Thousand tons	95	87	100	89	100	97	135	278	300
Edible oil		17.8	35.9	37.7	43.0	47.7	64.4	48.0	72.2	90
Meat preparations and conserves		8.5	11.6	..	..	..	33.3	39.0	36.5	..
Meat (live weight)		300	..	..	..	283	326	440	700	1 300
Fats		95	..	..	..	..	..	150	..	..
Bread		540	630	882	997	1 286	942	980	1 235	..

Sources : *La Roumanie Nouvelle*, 15 November 1955; *Munca*, 3 November and 24 December 1955 and Plan fulfilment reports.

NOTE. — The figures for 1950 and 1955 have recently been published in absolute terms. They differ in some cases from those published in the *Economic Survey of Europe in 1954*, Table LXI, p. 270, and the *Economic Bulletin for Europe*, Vol. 7, No. 1, Table I, p. 42. The figures for the years 1951 to 1954 have been obtained by applying the published percentage increases shown in the yearly Plan Fulfilment Reports to the absolute figure for 1950.

[a] Original version of the Five-year Plan.

[b] Approximate figures.

[c] 1938 figure and the subsequent series are different from the previously released official statistics.

TABLE XXXVII

Five-year plan fulfilment in Albania

	Unit	1938	1950	1955 Actual	1955 Plan
Value of gross industrial output					
Total output	Billion leks at 1950 prices	0.93	3.27	10.21	11.10
Of which :					
Co-operatives and handicrafts		..	1.47	2.00 *	3.20
State enterprises		..	1.80	8.21 *	7.90
Of which :					
Mining		0.13	0.45	0.77	1.38
Building materials		0.02	0.18	0.95	0.68
Metal working		—	0.05	0.30	0.18
Textiles and footwear		0.04	0.20	1.19	1.94
Food processing		0.19	0.34	1.07	2.05
Other [a]		..	0.58	3.93 *	1.67
Industrial products					
Oil	Thousand tons	42	132	263	263
Chrome ore		—	52	146	120
Copper blister		—	0.9	0.8	2.5
Cement		..	15	34	58
Electric power	Million kWh	4	21	57	121
Cotton textiles	Million metres	..	1.1	17.9	21.5
Footwear	Thousand pairs	..	272	563	598
Macaroni products	Thousand tons	..	4.7	13.1	9.8
Soap		..	1.0	2.8	3.7
Agriculture					
Sown area	Thousand hectares	222	330	376	385
Grain crop	Thousand tons	182	200	318	284
Sugar beet crop		..	6	94	100
Tractor park	Units	—	200	936	700
Transport					
Road	Million ton-km	..	37	105	110
Rail		—	8	20	42
Sea	Million ton-miles	..	11	8	23

Sources : See Appendix C.

[a] Electricity generation, output of the Ministries of Trade and Procurements, and local industry.

Appendix C

NOTES ON SOURCES AND METHODS

(For page reference to the notes on particular tables, see the Table of Contents, pp. vi-xi.)

I. GENERAL

As in previous years, the statistics given should be regarded in the first place as basic documentation for the economic analysis made in the SURVEY. They are therefore somewhat different in nature from statistics normally published in statistical yearbooks and other publications of a purely statistical nature. First, when no official figures are available, it is often preferable to have an estimate rather than no figure at all. Consequently, estimated figures which have a wider margin of error than is usually allowed in statistical publications are sometimes shown in the various tables. In the second place, the available national statistics have, for the sake of comparability as between countries, often been adjusted to more uniform definitions. For this reason, the figures shown differ in many instances from those given in national publications, or in other publications of the United Nations and its specialized agencies. Finally, the methods of compilation have been chosen with a view to the special use for which the data are intended. This does not necessarily mean that for other purposes other methods might not have been preferable.

Where a table gives totals for a number of countries, these totals always refer to the same group of countries for each period shown. In cases where figures for a given country are not available for one or more periods, estimates of these missing figures are included in the totals. Except where otherwise stated, area totals include estimates for those countries for which no data are available, or assume that the series for the missing country moved in proportion to the average for the other countries.

Slight discrepancies between constituent items and the totals shown in the tables are due to rounding.

All tables include information received up to mid-January; in Chapters 6 to 8 it has been possible to add data received up to mid-February. In general, the more recent figures are to be regarded as provisional, and subject to revision.

Methods of Reference to Sources

Wherever the sources for a table have been few and the methods used self-evident, the necessary references have been given under the table. All sources referred to in this Appendix are listed systematically at the end of the SURVEY and are given a number, by which they are referred to in the succeeding notes.

Information on sources is given in the following order: first the department, institution, or other authority responsible for the publication (or in the case of books, the author);[1] where the site of the issuing authority is not the capital city, the place of issue is indicated, this being followed by the title of the publication; the place of publication is then given, if different from the place of issue, and is followed by the mention of the publishing house (where different from the issuing authority) and (for non-periodical literature) the date of publication. Finally, for periodicals an indication is given of the frequency of publication. Such details are omitted when they are already apparent from the wording of the title (e.g., *Monthly Digest of Statistics* for periodicity, and *Maandschrift van het Centraal Bureau voor de Statistiek* for both periodicity and issuing authority). The publisher is not normally mentioned for official publications. In addition to the foregoing exceptions, there were a few cases where full bibliographical detail was not known.

If no particular issue of a periodical is indicated, it is to be understood that various issues of it were used as a source for the statistics. If, for any country, the title of a publication is given in a language other than the national language of that country, it is to be understood that a translation of the publication exists in the language indicated or that the edition is largely bilingual.

II. RECENT ECONOMIC DEVELOPMENTS IN WESTERN EUROPE

(Tables 2, 4, 6, 10, 11, 14, 17, IX-XXIII, and Charts 1-3).

Indicators of changes in the volume of investment (Table 2)

Investment in building and construction : The figures are the same as those used for Tables 29 to 42, except for the United Kingdom, where the building component of the index of industrial production has been used.

Dwellings : Figures of starts and completions refer to the number of dwellings, with the exception of Belgium, where authorizations refer to the number of licences granted and completions to the number of buildings. The data have in general been taken from **31.3**, supplemented by national statistics.

Industrial and other building : Starts or authorizations are based on value, except for the United Kingdom and Denmark (floor space) and France and Belgium (number of licences). Completions are based on floor space, except for the Netherlands (value), western Germany (volume) and Belgium (number of buildings). The data have been taken from national statistical sources.

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[1] For newspapers and ordinary commercial periodicals, this information is not given.

Investment in equipment : The figures are the same as those used for Tables 29 to 42, with the exception of the United Kingdom. The figure shown for that country in 1955 is an estimate based on the distribution of metal supplies shown in Table 27; the range is based on minimum and maximum assumptions concerning the possible change in the share of defence in 1954 and 1955 in total deliveries of metal products for investment and defence together.

Home supply of metal products : The sources and methods used are described in connexion with Chart 2 (see p. 8).

Retail sales of electric appliances : The data are taken from regular national statistics on retail sales.

Stocks : The sources of information on stocks, whether in terms of quantities or in terms of tendencies, are the same as those which were described in detail in " Short-term Business Indicators in Western Europe ", **31.4**, Vol. 7, No. 3.

Defence expenditure and receipts from off-shore deliveries (Table 4)

The sources used for *defence expenditure* are the same as those for Tables 43 and 44. The figures for *gross national product* are taken from Tables 29 to 42.

Data on *off-shore deliveries* have been supplied by the United States Government.

The value of engineering output is that used for Table 2 and Chart 2, after adjustment to 1955 prices by means of an appropriate national price index for the output of the engineering industries.

Changes in employment and unemployment in western European countries (Table 6)

Employment

Except for the building industry (and agriculture in Austria) all data on employment have been taken from the same sources as have been used for Table 56, while the data for agriculture in Austria are from **2.4**. Data for employment in building are from **31.3**.

Unemployment

With the following exceptions, the same sources have been used for unemployment: *Austria :* **2.4**; *France :* **8.7**; *Netherlands :* **16.6**; *Sweden :* **23.7**.

Hire purchase sales of durable goods and instalment credits outstanding (Table 10)

The following sources, sometimes supplemented for more recent information by press reports, have been used:

Austria: **2.6**; Belgium: **3.5** and N. Tamplin " Hire Purchase—On what Terms ? ", **36.2**, July 1955; Canada: **29.1**, France: **3.4**, December 1955; western Germany: **8.13** and **2.6**; Italy: **14.13**; United Kingdom: J. Marvin, " How Hire Purchase has Grown ", **27.4**, March 1955, and N. Tamplin **36.2**, *loc. cit.*; United States: **30.2**.

Imports of fifteen commodities into selected western European countries by area of origin (Tables 11 and IX-XXIII)

Country and Commodity Coverage

Data in quantities and current values were taken from **32.3**, **35.2 (iv)**, and national trade statistics.

In principle, commodities are defined in terms of the Standard International Trade Classification as specified below; however, figures taken directly from national statistics may differ slightly from those given in SITC sources.

Commodity		
Wheat	Wheat and spelt (including meslin), unmilled	group 041
Maize	Maize (corn), unmilled	group 044
Sugar	Sugar beet and cane sugar	group 061
Coffee	Coffee not roasted, roasted	group 071
Tobacco	Tobacco, unmanufactured	group 121
Oil-seeds	Oil-seeds, oil nuts and oil kernels	group 221
Rubber	Crude rubber, including synthetic and reclaimed	group 231
Timber	Wood in the round or roughly squared, wood shaped or simply worked	groups 242 and 243
Wood pulp	Pulp and waste paper	group 251
Wool	Sheep's and lamb's wool, greasy or back-washed, scoured, whether or not bleached or dyed	items 262-01 and 02
Cotton	Cotton, including linters, waste, carded and combed	group 263
Crude petroleum	Petroleum, crude and partly refined	group 312
Refined petroleum	Petroleum products	group 313
Fats and oils	Animal and vegetable oils and fats	section 4
Copper	Copper and alloys, not refined and refined, unwrought	item 682-01 [a]

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[a] Except for the United Kingdom, where data refer to group 682.

In addition, data in Table 11 include imports of coal (SITC group 311) and of " other metals "—i.e., basic metals other than raw copper (SITC division 68 less item 682-01).

Figures refer to special imports, except for the United Kingdom (general imports). Quantities are given for the actual weight of each article included in the commodity group; no conversion factors have been used (United Kingdom imports given in terms of capacity or other physical units have been converted into weight).

Areas of origin are those given in Table VI, except for Latin America (which has been split into dollar and non-dollar countries) and " other overseas countries " (from which Philippines has been transferred to " other dollar countries ").

Conversion into July 1954/June 1955 prices

Typical prices used in Table 11 were computed on the basis of quantities and current values of total imports into the seven countries included in Tables IX-XIII, XV, XVIII-XX and XXIII.

1954/55 typical prices in dollars per ton

Wheat	76	Wool	1 590
Maize	73	Cotton	785
Sugar	101	Coal	15.8
Coffee	1 400	Crude petroleum	20.7
Tobacco	1 320	Copper	740
Rubber	580		

For oil-seeds, fats and oils, refined petroleum, timber, wood pulp and " other metals ", where quantities are meaningless or unavailable, special price indices have been used, as follows:

Refined petroleum : The index obtained from current values and quantities of total imports into the five countries for which quantities are given in Table XXI has been applied to current values of imports into the seven countries.

Other commodities : Average western European unit-value indices, derived from official volume and value indices of the principal European importers of the relevant commodity, were appropriately weighted and applied to current values of imports into the seven countries.

The unit-value indices thus obtained (1954/55=100) were:

	1952/53	*1953/54*
Oil-seeds, fats and oils	109	106
Timber and wood pulp	114	96
Refined petroleum	120	104
Other metals	115	91

World trade by area (Table 14)

Share in world trade in 1954

The trade of western Europe with the United States is taken from Tables VI and VII and corresponding tables in previous SURVEYS. Total exports from " other overseas countries " have been derived from **32.1**, November 1955 (Special Table B). Their exports to western Europe and the United States have been taken as equal to the corresponding imports of those countries, adjusted to f.o.b. values, and their exports to " other overseas countries " are therefore a residual.

Percentage increases have been computed from current f.o.b. values (similarly obtained), except for imports into western Europe from all sources (which are valued c.i.f.).

The classification of countries exporting mainly agricultural products and mainly mineral products is the same as that used for Chart 3.

The trade of the Soviet Union, eastern Europe and China with each other and the trade of Japan with all countries are not included in the table.

Production and exports of selected durable consumer goods (Table 17)

In addition to the sources listed below, information on production has also been received directly from Government departments: *France :* **8.18**; *Western Germany :* **10.3 (ii)** and **10.3 (iii)**; *Italy :* **14.2**; *United Kingdom :* **27.2**. Figures for trade for the United Kingdom refer to production for export; production of household sewing machines refers to supplies for the home market excluding imports; the increase shown for household refrigerators relates to the value of deliveries in current prices.

Except for the United Kingdom, trade data have been taken from national trade statistics.

Index numbers of industrial production and foreign trade (Chart 1)

Trade data have been roughly adjusted for seasonal fluctuations. As the trade of the United Kingdom was seriously affected by the dock strikes of October 1954 and May-June 1955, figures for that country covering the year October 1954/September 1955 have been redistributed by quarters, in accordance with the seasonal pattern of previous years. Current values have been converted into values at 1953 prices by use of unit value indices compiled in the manner described for Table 45 of the SURVEY for 1954 (p. 294).

The index numbers of production are the same as those used for Table 1.

Supplies to the home market of metal products, steel and energy (Table 2 and Chart 2)

The totals shown for western Europe in Chart 2 exclude Greece, Spain, Turkey and Yugoslavia.

Metal products (Table 2 and Chart 2)

Unless otherwise stated, engineering products refer to Section 7 of the Standard International Trade Classification—i.e., machinery, apparatus and appliances and transport equipment. In terms of the International Standard Industrial Classification of all Economic Activities this corresponds roughly to major groups 36-38 inclusive.

The gross output for 1950 in each country has first been derived, and the gross output (in 1950 prices) for other years has then been obtained by multiplication with index numbers of production for the metal-using industries. Slightly different methods have been used for France, western Germany and the United Kingdom, as indicated below.

The value of output in the base year is in principle the gross value (excluding repairs and maintenance), before taxes on production and free from duplication—i.e., net of deliveries from one sector of the engineering industry to another. Unless otherwise specified below, the deduction for duplication was taken as 13 per cent of gross output. The figures used for imports, exports and home supply have not been adjusted for trade margins.

Trade data taken in current values from national trade statistics have been expressed in constant prices by use of a method similar to that described for Table XLVIII of the SURVEY for 1954 (p. 298).

The sources used for production (and trade, where they are not national trade statistics) are:

Belgium : **3.14**, 1952.

Denmark : **6.9**. The value added by the assembly of passenger cars has been estimated at 50 per cent of the value of chassis imported.

France : The production of final goods and trade in engineering products in 1952 prices is given in **8.10 (i)**. The value of car output in 1952 has been estimated from **8.11**.

Western Germany : Production and exports of investment goods (" Investitionsgüter ") in 1952 have been taken from **10.16**. Estimated double-accounting, averaging 23 per cent, was derived from an article entitled " Die Investitionen im Rahmen der Sozialproduktsberechnung ", published in **10.2**, January 1952.

Values in 1952 prices for other years, obtained by application of production indices, have been expressed in 1950 prices by means of the index of producers' prices for investment goods, taken from **10.16**.

The value of passenger car production has been obtained for 1952 from **10.17**, and for other years by applying to this value index numbers based upon the number of cars produced.

Italy : **14.16**. Estimated double-accounting, averaging 14 per cent, has been derived from inter-industry relations given in **14.17**, No. 4, 1952. The value of car production for years other than 1950 has been obtained by application of index numbers derived from the number of cars produced.

Netherlands : **16.17**. Estimated duplication, averaging 13 per cent, has been derived from inter-industry relations given in **16.18**.

Norway : **17.7**.

Sweden : **23.17**, 1951 (data for 1950).

United Kingdom : Data in 1953 prices for production (free of duplication) and trade of metal products (corresponding roughly to ISIC major groups 35-39) have been taken from **27.12** and have been converted into 1950 prices by means of implied price indices derived from fixed capital formation in current and constant prices given in **27.11**.

Rough estimates were made by similar means for Austria, Finland, Portugal and Switzerland, in order to obtain totals for western Europe.

Finished steel (Chart 2)

All data are from **31.1**.

Energy (Chart 2)

Solid fuels

All data have been taken from **31.2**. Hard-coal supplies to the home market represent apparent consumption adjusted for net imports of coke and patent fuel, for changes in stocks at mines and, as far as possible, for changes in stocks held by consumers. Similarly for brown coal, adjustment has been made for net trade in brown-coal briquettes and brown-coal coke and for changes in stocks at mines. Peat and fuelwood have been omitted, since no data are available for 1955.

Hydro-electricity

Annual data have been taken from **31.6** and monthly data from national sources, except in the case of Finland, Norway and Sweden, where figures supplied to the ECE Committee on Electric Power have been used. The source for Austria is **2.10**, for Belgium **3.13**, for Italy **14.18** and for Switzerland **24.6**. For the remaining countries it is the standard bulletin of statistics. Net imports of hydro and thermal electricity have been added to hydro-electric production where such trade is of significance. The figures for Italy include production of geo-thermal electricity.

Natural gas

Production has been taken as equivalent to supplies to the home market. The source of the figures for Italy is **14.2**. Austria has been omitted, in the absence of data for 1954, and the small quantities so far produced in other countries have been ignored.

Liquid fuels

All data have been taken from **35.1**, November 1955 or (in the case of kerosene) from **35.6**, supplemented in some cases by more recent data in national sources. In the case of Finland imports have been taken as equivalent to consumption. The data represent deliveries for inland consumption and thus exclude refinery consumption and bunkers. They cover motor spirit (including aviation spirit, except in the United Kingdom), kerosene (including jet fuel, except in Sweden and the United Kingdom), gas and diesel oil, and fuel oil.

Conversion into hard-coal equivalent

The following conversion factors, based on relative calorific values, have been used to convert other sources of energy into hard-coal equivalent:

Energy source and unit (Ton, except as otherwise indicated)	*Hard-coal equivalent* (Tons)
Coke	1.0
Patent fuel (hard-coal briquettes)	1.0
Pitch coal (western Germany only)	0.67
Brown coal: Czechoslovakia,[a] France	0.6
Austria	0.5
Western Germany, Netherlands	0.3
Other countries	0.33
Brown-coal coke	0.67
Brown-coal briquettes	0.67
Hydro-electricity (1,000 kwh)	0.12
Natural gas (1,000 cubic metres)	1.33
Motor spirit, kerosene, and gas, diesel and fuel oils	1.5

[a] Used to convert imports into western European countries.

The figures for total energy consumption thus represent the total calorific value of the primary sources of energy consumed in each country. Because of the great difficulties involved in estimating the average efficiency of utilization over many uses of each source of energy, no adjustments have been attempted to take account of the fact that there are substantial differences in average efficiency of utilization among the various sources. Moreover, there are great differences among countries in the patterns of consumption of each source of energy and these patterns change over time. If rough adjustments were made to deduct the losses involved in the utilization of each source of energy, the main effect would be to increase somewhat the shares of hydro-electricity and natural gas shown in the chart, since the losses of energy involved in the transmission and transformation of hydro-electricity and in the distribution and combustion of natural gas are considerably less than the losses connected with the use of solid and liquid fuels.

Purchasing power of total exports, imports from western Europe and the United States and gold and foreign exchange reserves in overseas non-dollar countries (Chart 3)

Purchasing power of total exports

The current values of total exports have been taken from **32.1**, November 1955 (Special Table B). The corresponding purchasing power has been obtained by deflating these current values by a special price index of imports, obtained by an appropriate weighting of export unit value indices of the United States (exports to all areas) and the index of export prices for western European exports to overseas used for Chart 1. The weights take into account, of course, the differing relative importance of western Europe and of the United States in the total imports of the two groups of countries.

The classification of countries into two groups is as follows:

Countries exporting mainly agricultural products: Argentine, Brazil, Paraguay, Peru, Uruguay, French overseas territories, Angola, Mozambique, Australia, New Zealand, Union of South Africa, Burma, Ceylon, India, Pakistan, Cyprus, Gold Coast, Jamaica, Kenya-Uganda, Malta, Gozo, Mauritius, Nigeria, Sierra Leone, Tanganyika, Anglo-Egyptian Sudan, Egypt, Israel, Lebanon, Syria.

Countries exporting mainly mineral products: Chile, Belgian Congo, Netherlands Antilles, Surinam, Federation of Rhodesia-Nyasaland, Aden, Bahrein, Iraq, Jordan, Kuwait, Libya, Qatar, Hong Kong, Federation of Malaya and Singapore, Trinidad and Tobago, Saudi Arabia, Iran, Taiwan, Indochina, Indonesia, South Korea, Thailand.

Volume of imports

Current values of imports have been taken from statistics of exports of western European countries and the United States and have been converted into 1953 prices by use of the price indices described above.

Gold and foreign exchange reserves

The data have been taken from **33.1**. Affiliated overseas countries have been excluded.

III. — SAVINGS, INVESTMENT AND NATIONAL ACCOUNTS IN WESTERN EUROPE

(Tables 19-22, 25-27, 29-42 and Charts 5 and 6)

Gross national product, gross fixed investment, and capital accumulation in western European countries (Tables 19, 20, 22, and 29-42 and Charts 5 and 6)

A. *Gross national product and the allocation of resources in current market prices*

Gross national product at market prices has been chosen as the basic aggregate in all tables relating to national product and expenditure in Chapters 2, 3 and 4. Its definition conforms in principle in all western European countries to the internationally accepted definition adopted by the OEEC,[2] with one important exception concerning the inclusion in some countries of expenditure on repair and maintenance (allocated to gross fixed investment). In the case of France, only tentative estimates of the total amounts involved could be obtained, and no data were available that would allow exclusion of this item from the detailed breakdown shown in the tables. In the case of Norway (as further explained under C), repair and maintenance was estimated to amount to 20 per cent of gross fixed investment.

Data in current prices are expressed in national currencies. International comparisons would not be valid if based simply on official exchanges rates, instead of on purchasing power parity rates (preferably separately for each item of comparison). However, with the aid of calculations of this kind made by the OEEC, a special study of the relative position of four countries has been made, the results of which are shown in Table 21.

B. *Gross national product and the allocation of resources in constant prices*

The volume indices shown in the tables are all based on 1950 = 100, but this does not mean that they are derived from data expressed in 1950 prices. In most cases they are in prices of another year, as originally published by the countries concerned, and the year selected varies from country to country. In nearly all cases (with the principal exception of western Germany) the data are in prices of a post-war year, and the selection of one year rather than of another may have some influence on the measurement of the volume of gross national product and its components in relation to 1950. The selection of a different year in different countries is of less importance. More important than either of these considerations is the error involved in the conversion of data from current to constant prices. There are both conceptual and practical difficulties of reliable estimation, even when—which in several countries is far from the case—the primary data permit separate price deflators for each sector.

C. *Composition of gross fixed investment in current and constant prices*

Apart from the general problem of the international comparability of the sectors distinguished in national sources and of the border-line between investment and consumption,[3] there is the more specific problem as to what should be counted as capital expenditure and what as current expenditure. Notwithstanding the provisions of the OEEC Standardized System, the Scandinavian countries count all repair and maintenance expenditure as investment, and France includes an important part of it. In principle, other countries conform to the OEEC definition. In the case of Sweden and Denmark, the break-down between new investment and repair and maintenance given in the national sources permitted the exclusion of the latter; for Finland a breakdown was available only for the year 1951, and the ratio for that year had to be used for other years. In the case of Norway, official estimates of repair and maintenance are made in an approximate manner by deducting 20 per cent from the original figures of gross fixed investment. Though this procedure may be acceptable when applied to the total of fixed investment, it can be followed only with the greatest reserve when, as is done in Table 38, the average deduction of 20 per cent is applied indiscriminately to fixed investment by sectors.

In France, the results of the single attempt of the INSEE to isolate repair and maintenance (for the year 1952) are published in **8.14.** Estimates for other years at 1952 prices have been made by adding 10 billion francs each year, and the resulting figures are given in a footnote to Table 33. The data in the document mentioned contained a detailed break-down only for 1952, so that it did not prove possible to eliminate repair and maintenance by sectors.

The remarks made under B concerning deflation to constant prices apply with equal, if not greater, force to investment.

D. *Provision for depreciation*

Depreciation figures have in general been taken from official (in the case of the United Kingdom, semi-official) sources, but for Finland they are estimates. For well-known reasons, inter-country comparison can be made only with the greatest caution and the indications given in Table 22 of capital accumulation in various countries should be considered only as orders of magnitude. To the extent that they are known, the methods used to estimate depreciation are summarized in the country notes.

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[2] See *A Standardized System of National Accounts*, OEEC, 1952.

[3] The border-line is well illustrated by the case of passenger cars. When bought on business account they should be considered as investment, but when bought by persons in their capacity as consumers, they should be regarded as durable consumer goods. The distinction even in practice may often be a fine one, and the allocation largely arbitrary.

E. *Gross investment in metal and engineering industries as percentage of total investment in manufacturing (Table 20)*

The percentages have been derived from data at current prices taken from official sources. For the United Kingdom, Belgium and France, the original data relate to the constituents of the figure for total fixed investment in the national accounts, but for Denmark, the Netherlands, Norway and Sweden they relate to a sample of firms only. The sample covers about 30 per cent of total investment in manufacturing in Denmark and more than 75 per cent in the other countries.

* * *

The sources and methods used for individual countries are given below. The various aggregates are referred to as above; thus

A = Gross national product and the allocation of resources in current market prices.
B = Gross national product and the allocation of resources in constant prices.
C = Composition of gross fixed investment in current and constant prices.
D = Provision for depreciation.
E = Gross fixed investment in metal and engineering industries as percentage of total gross fixed investment in manufacturing.

Provisional estimates, or forecasts made earlier in the year, were sometimes available for 1955. Usually, they have all been taken from a single source, which is indicated after the explanations relating to 1950-54 for A to E.

Austria :

A. 1950-53: **2.8**; 1954 (targets): **35.7.**

B. 1950: derived from **2.7**, except for total fixed investment, for which data have been supplied by the Österreichisches Institut für Wirtschaftsforschung. 1951-54: price deflators derived from **35.7** have been applied to the current-price data, except for gross national product in 1951, which is from **2.7.**

C. The information has been directly supplied by the Österreichisches Institut für Wirtschaftsforschung.

D. Strictly speaking, there are no official estimates of depreciation. The figures used, which are published in **2.8**, are based on hypothetical considerations that are fully explained in **2.9**. Briefly, it is assumed that there was zero net investment in 1937, so that depreciation corresponded to new investment. Application of a price index to the 1937 depreciation figure gives minimum values for the post-war years. Maximum values are derived by using the average ratio of depreciation to gross national product for OEEC countries combined. The official figures adopted, and reproduced in **2.8**, are averages of the minimum and maximum values. Depreciation in 1954 was directly supplied by the Österreichisches Institut für Wirtschaftsforschung.

1955: all figures are from **35.7.**

Belgium :

A. **3.11**, except for private and public consumption and gross fixed investment in 1954, which are from **35.1**, November 1955.

B. Price deflators have been derived from **35.1**, November 1955.

C. The Ministry of Economic Affairs supplied all data in current prices, except for the sector break-down in 1954, which has been estimated. The Ministry also provided data in constant prices for investment by type of asset and for investment in dwellings and public administration. The remaining sectors have been estimated in constant prices by applying to the current-price data the price index obtained for total investment.

D. 1950-53: **3.11.** Figures for 1954 have been estimated by extrapolation. The figures for depreciation reflect actual capital consumption and are not simply the depreciation allowances for taxation purposes.

E. **3.8.**

1955: **35.8.**

Denmark :

A. and B. **6.6.**

C. 1950-52: **6.6**, except for the break-down by type of asset, which has been supplied by the Statistical Department. 1953-54: the data have been supplied by the Statistical Department, but the allocation between sectors of the considerable residual item was made in accordance with the pattern for previous years, given in **6.6.**

D. 1950-52: **6.6**; 1953-54: information supplied by the Statistical Department.

The method of estimating depreciation is described in **6.8** (p. 66): " Depreciation pre-war was computed as a percentage of the value of output of each sector. Consequently, it was directly related to each year's production and was estimated in terms of the same price level as was used for computing the yield on capital equipment.

" After the war it has been considered necessary to modify this method, because the very high level of employment and the ensuing high degree of utilization of production equipment undoubtedly involve extraordinary wear and tear on machines and other equipment. For this reason, the depreciation percentage used has been increased slightly. Probably the indicated figures deviate from the depreciations actually charged by business. The deviation may be caused by the margin of error connected with the computation and, in some cases, by the fact that business may determine depreciation according to principles differing from those used in the present study. It is doubtful whether the depreciation allowances of business correspond in all cases to the reproduction value of the capital goods in question, and consequently the depreciation allowances of business will probably in general be too small."

E. **6.1**, 20 March 1952, 27 February 1954 and 3 September 1955.

Finland :

A. **7.6**. Gross fixed investment and national product have been estimated net of repairs and maintenance by applying to all years the ratio of repairs and maintenance to total fixed investment in 1951, which is published in the SURVEY for 1952.

B. The series of price deflators has been obtained by linking together the price changes from year to year indicated in the text of the various issues of **7.6**.

C. **7.6**. Separate estimates for dwellings have been made on the basis of data for 1951 shown in the SURVEY for 1952.

D. The share of depreciation in the published sum of depreciation, repairs and maintenance has been estimated on the basis of data for 1951 published in **7.6**, 1952. The following is a summary of the method of estimation used in 1951, which has been directly communicated by the Division for Economic Affairs of the Ministry of Finance: Depreciation in the sectors agriculture and transport (with certain exceptions) is calculated on the basis of the average economic life and the cost of replacing capital assets. In the sector public administration depreciation is calculated at 1.1 per cent of the original cost (central government) and 1 per cent of the book-keeping value (local government). In the sectors forestry, manufacturing and construction, railway transport, post, telegraph and radio, trade, other services and housing, depreciation is based on profit and loss account figures.

1955: Information supplied by the Central Statistical Office.

France :

A. and B. **8.10** ***(i)***.

C. 1950-51: The data have been supplied by INSEE. 1952-55: The data have been supplied by the Ministry of Finance. The estimates shown in the note to the table, of the total amount of repairs and maintenance included in gross fixed investment, have been derived from **8.14**.

D. **8.10** ***(i)***.

An attempt has been made to measure depreciation in some detail in 1952 and to estimate it in other years by use of more partial data. The calculations for 1952 distinguish dwellings and agriculture on the one hand and industry and trade on the other.

For dwellings the 1952 stock was valued at an average price, amortization being put at 180 years, with a further allowance for normal repairs. Agriculture was similarly treated, a distinction being made between three main kinds of assets (buildings, machinery and other). The basic data for industry and trade were the accounts of enterprises. These, however, have two major deficiencies—they exclude certain capital outlays that are treated as current business expenditure, and in many instances pre-war assets have not been revalued at post-war prices.

In an attempt to overcome these two obstacles to an appropriate measurement of depreciation, rough estimates of the expenditure on major repairs were made, and the 1952 value of assets increased, having regard to the degree of revaluation for those assets that *were* revalued (and for which information could be obtained from the accounts of nationalized industries, tax returns, stock exchange quotations, etc.).

The precise methods of estimate from the data available are described more fully in **8.10** ***(ii)***, p. 195 ff.

E. **8.10** ***(i)***, (Table 31).

1955: **8.10** ***(i)*** and information supplied by the Service des études économiques et financières of the Ministry of Finance (for the break-down of investment).

Western Germany :

A, B, C and D. All data have been derived from **10.15**. The precise methods of calculating depreciation are not known, but it has been stated that the present methods and technique are inadequate and are being revised.

E. Investment in engineering has been taken from **10.10**, No. 4, 1955, in iron and steel from **10.1**, 9 December 1955, and in total manufacturing (including construction) from **10.15**. Investment in the construction industry has been eliminated and investment in non-ferrous metals added by analogy with relative magnitudes pertaining to the United Kingdom.

1955: Data are based on preliminary results for the first nine months of the year published in **10.10**, No. 4, 1955.

Greece :

All data for 1950 to 1954 are from **11.2**, and for 1955 from **11.3**, 1 January 1956.

No details on the method of calculation of depreciation are available, but it is known that the estimates aim at showing capital consumption.

Italy :

A and B. **35.1**, November 1955 except for changes in stocks, which are from **14.12**.

C. Information has been supplied by the Central Statistical Office except for volume indices on dwelling construction, which have been estimated with the aid of an index of construction costs given in **14.15**.

D. **14.12**. The estimates for depreciation attempt to measure capital consumption, but no details of the methods used are available.

1955: Derived from a speech given at Luxemburg on 5 December 1955 by Mr. Ferrari-Aggradi, Under-Secretary of the Budget, and reported in **14.1**, 17 and 31 December 1955.

Netherlands :

A and B. **35.1**, November 1955.

C. Information supplied by the OEEC secretariat.

D. Depreciation for private investment has been taken from **16.8**, second quarter 1955, and for public investment has been estimated from data in **35.5**.

The method of estimating depreciation in enterprises is described in the former source as representing the calculated decrease in the value of the fixed assets. The calculation of this decrease takes into account the expected economic life of the capital goods concerned and their average replacement value in the period over which they are written off. Depreciation calculated in this way can, of course, differ from results obtained by adding up the figures for depreciation in commercial or fiscal balance sheets. Incidental damage due to fire or accidents is also included, but not loss of value of capital goods due to natural catastrophe or war.

E. **16.3**, May 1953 and **16.19**.

1955: **35.8**.

Norway :

A, B, C and D. All data for 1950 to 1954 have been supplied by the Central Statistical Office. Gross fixed investment net of repairs and maintenance has been estimated by that office by subtracting 20 per cent from national accounts data on a " gross-gross " basis.

The methods used to estimate depreciation are described in **17.5**, pp. 38-41. Net investment is defined as the increase in the capital stock during the year, and depreciation as the difference between gross investment and net investment. Since, according to Norwegian practice, gross investment includes repair and maintenance, calculated depreciation will thus be higher than the actual rates used in enterprises. Depreciation also includes losses as a result of war and fire, etc. Although the method appears simple, there are many theoretical and practical problems to solve. In order to reduce the risks involved in a year-to-year comparison of the size of the capital stock, the calculation is based on a longer period, normally ten years. For example, net investment in ships during the period 1930-1939 was calculated as follows:

The annual figures for gross investment are deflated by a suitable price index and then cumulated. Net investment is then calculated by comparing the value of the merchant fleet at the beginning and end of the period, in constant prices, so that total depreciation in the period is obtained by difference. This total then has to be distributed over the various years, which in the case of ships is done simply by assuming that depreciation is proportionate to the stock in each year. Depreciation for other capital goods is similarly estimated, but the distribution over the years takes into account not only the stock of capital but also its degree of utilization.

The difficulty lies mainly in estimating the increase in the capital stock over a certain period. The " ideal " method is to express the stock in terms of the " remaining life " of the individual assets and satisfactory information of this kind is believed to be available in most cases. For assets with a very long life, such as power plants and buildings, this method has not been used, and the calculations are based on the assumption of a normal length of life and straight-line depreciation through time.

The " ideal " method is used for depreciation in agriculture, whaling, mining, industry and transport, representing two-thirds of total depreciation. It should be observed that this method has been used primarily for the period 1930-1939, for which satisfactory statistics on the capital stock are available. For post-war years the statistical basis is less adequate, and the depreciation rates for 1930-1939 have been adopted with appropriate modifications.

E. **17.6** (Table 89).

1955: **17.6**.

Portugal :

All data are from **35.1**, November 1955, except for those relating to 1955, which are from **35.9**.

Sweden :

A, B and D. Derived from **23.11**, except for public consumption, which is from **35.1**, November 1955. Repairs and maintenance have been excluded.

Depreciation in the public administration sector is assumed to equal new investment; for privately owned houses it is estimated at 1½ per cent of the value of the housing stock; for public and private enterprises it is estimated at 5 per cent of the gross national product (including repair and maintenance). A short description of the Swedish method of estimation is to be found in **23.16**, p. 152.

C. Information supplied by the Konjunkturinstitut.

E. **23.4**. February 1952 and 1953 and December 1953 and 1954.

1955: Preliminary results published in the National Budget for 1956 are to be found in **23.18**, No. 1, 1956.

Switzerland (Table 22):

A and D. National income and depreciation are from **24.1**, October 1955. The figure given for depreciation in this source is explicitly hypothetical and based on analogy with other countries.

Turkey :

A and B. Gross national product has been taken from **25.2**, August 1955. The allocation shown represents estimates made personally by Professor Inan, Director of the Central Statistical Office, which he has kindly made available to the secretariat.

C. The distribution of gross fixed investment by type of asset has likewise been provided by Professor Inan.

D. **25.2**, August 1955. It is not known how depreciation is estimated.

United Kingdom :

A, B and C. **27.11**.

D. P. Redfern, " Net Investment in Fixed Assets in the United Kingdom, 1938-1953 ", **27.7**, Part 2, 1955. 1954 has been obtained by extrapolation.

The method used by Redfern consists in spreading the depreciation of each asset over a predetermined life. He uses the straight-line method, but, unlike company accountants, he depreciates not the original value but the replacement value. The price adjustment takes no account, however, of technical improvement. Similarly, no account has been taken of the fact that capital equipment may be superseded through obsolescence before it is physically worn out. Redfern shows, however, that even considerably different assumptions on the average length of life of assets have only minor effects on the estimate of net investment.

The estimates involve three steps:

(1) Estimates of gross fixed investment for each class of asset are made for each year starting L years before 1938, L being the length of life of the particular asset.

(2) Price indices for the principal classes of assets are built up for corresponding periods.

(3) By amortizing the gross investment (in constant prices) for each class of asset over the assumed life, estimates of depreciation, net fixed capital formation and the value of the capital stock are derived.

E. **27.11** (Table 50), supplemented for 1954 by **27.1**, 31 December 1955.

1955: F. W. Paish, " Saving, Investment and the Budget ", **27.8**, December 1955.

Comparative per capita consumption and investment in four countries (Table 21)

As explained in the note to the table, an attempt has been made to extrapolate the 1950 figures of per capita consumption and investment in Italy, France, United Kingdom and western Germany valued at 1950 European prices, which have been compiled by Messrs. Gilbert and Kravis. The application of a common price system makes international comparison possible, though, as noted, use of a different price system would give different results.[4] Extrapolation of the 1950 figures has been made on the basis of officially published volume indices. Since these indices are derived not from the common price system but from national price systems, the data derived for the years 1951 to 1955 are not as fully comparable between countries as they are for 1950. To minimize the possible errors involved, extrapolations were made separately for as many sectors of consumption as the national data permitted. For investment, a distinction was made between producers' durables, residential buildings and other buildings and works. For Italy, no break-down by type of asset was available; for the other three countries the volume indices used for the three types of investment assets are those shown in Tables 33, 34 and 42.

The following notes indicate the sources used for volume indices of consumption and the number of sectors distinguished:

Italy : Food beverages and tobacco; clothing and household textiles; housing; fuel and light; other goods and services. Volume indices for 1950-1954 have been derived from **14.12** and for 1955 from **14.1**, 17 and 31 December 1955; cf. the notes to Table 36 (p. 60).

Since it was not possible to distinguish the three types of assets in national sources, only total gross fixed investment was extrapolated, with the aid of the volume indices shown in Table 36.

France : 1950-1952: Food; beverages; tobacco; clothing; housing, fuel and light; household goods; transport equipment; travel; health; recreation; entertainment; education; other services. Volume indices have been derived from **8.11**.

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[4] Table 12 of the source compares the results that are obtained by weighting by average European prices with those obtained by weighting by U.S. prices.

1953-1954: Food; clothing; housing; durable consumer goods; other goods; other services. Volume indices have been supplied by the Ministry of Finance.

1955: Only food, drink and tobacco, clothing and household textiles and other goods and services could be distinguished, and the volume indices have been taken from **8.10** $\overline{(i)}$.

Western Germany: Food; drink and tobacco; clothing; housing; fuel and light; household goods; health; travel; education and recreation; personal services; other services. The volume indices have been derived from the half-yearly national accounts in **10.2**.

United Kingdom : Food; drink; tobacco; clothing; housing; fuel and light; household goods; transport equipment; public transport; communication; recreation and entertainment; health; education; household services; hotels, cafés and miscellaneous.

Volume indices have been derived from **27.11** (Table 22) for 1950-1954 and from **27.2** for 1955 (consumption in the first six months at constant prices).

Trend and sources of net saving (Table 25)

General

Data have been taken mainly from national accounts and other national sources, and as far as is known (and apart from certain exceptions indicated below) conform to the definitions laid down in the OEEC Standardized System of National Accounts. Thus:

Saving by public authorities equals the surplus on current account of central and local government, plus the surplus of social insurance funds financed by compulsory contributions. Foreign aid for defence purposes is treated as current government income; other foreign aid (e.g., ERP and economic aid) is excluded. All defence outlays are treated as current expenditure.

Company saving equals the undistributed profits of companies and public enterprises after tax and net of stock appreciation.

Personal saving equals the difference between personal disposable income and personal expenditure on consumption (including the purchase of motor cars for personal use). It also includes the saving of private non-profit-making institutions, the increase in the life funds of life insurance companies and in the funds of pension funds. The profits of individual (unincorporated) enterprises are also included.

Total saving is the sum of these three items.

In all cases figures are net of provision for depreciation.

Since saving is statistically determined as the difference between the income and expenditure of each sector, the figures are open to the errors and uncertainties usually associated with residual items. Indeed, most of the errors and omissions in national accounts are to be found in these items. The more reliable estimates are those of saving by the public sector, though here too the system of public accounting is not always easily adaptable to the economic concepts used in national accounts.

Where the data for personal or company saving are not available separately, or where they are of inappropriate coverage, total private saving alone can be found. In all cases where only one of the components of private saving is independently determined, the remaining item, obtained by difference from total private saving, is subject to an even wider margin of error. This is because total private saving is itself in such a case a residual obtained by deducting public saving from total national saving.

By definition, total net saving is equal to total net domestic investment (excluding stock appreciation) plus the change in the current balance of payments, and this is the total that has to be used when independent estimates for all three sectors are not available. In some countries, national accounts data are in fact inadequate to permit reliable estimates of private saving to be made by the income and expenditure approach, and in such cases the only figure available for total net saving is this sum of net domestic investment and the change in the current balance of payments. In these countries, the figures used for gross investment have then been taken from Tables 29 to 42 and for depreciation (to obtain net saving and net national product) they are the same as those used for Table 22. Thus for Austria (1954), Finland, Greece, Italy and Turkey this figure of total saving is alone shown.

In most cases, however, public saving was available independently. In the United Kingdom and Belgium there exist estimates of personal saving based on changes in personal assets and large unexplained discrepancies appear when they are compared with figures derived from the national accounts. These are certainly due as much to errors and omissions in the national accounts as to the inability to account for all forms of personal assets. In western Germany the figures for personal saving are based on estimates of changes in assets and cannot be derived from the national accounts.

The sources used for saving by sectors are given below. The distribution of depreciation between the three sectors, needed to obtain net saving, has usually been available from the same sources.

It should be stressed that the figures for public saving implied in the table cannot be directly compared with those implied in Table 43 for central government current surpluses (cf. the notes to that table, p. C-14).

Sources and adjustments

Austria : **2.8.** The figures for saving by public authorities have been corrected on the basis of information supplied by the Austrian Statistical Office.

Belgium : **3.11.**

Denmark : Information supplied by the Statistical Department.

Finland : Derived from Tables 22 and 31, except for saving by public authorities, which is from **7.6** for 1954 and 1955. The figure for total saving, and hence the share of public saving, is subject to error, because of the inclusion of stock changes in consumption.

France : **8.10** *(i).*

Western Germany : **10.4**. September 1955, gives independent estimates of saving made by the Bank Deutscher Länder. The break-down of private saving into company and personal saving, however, has not been given in the table, since the estimate of personal saving represents only the net change in traceable financial assets of individuals and excludes the capital formation of persons, which is treated as part of the company sector.

Greece : Derived from Tables 22 and 35.

Italy : Derived from Tables 22 and 36. The distribution of total saving in 1954 is from **14.17**, No. 2, 1955, p. 284.

Netherlands : **16.8**, second quarter 1955. Government capital formation (taken from **35.1**, November 1955, with depreciation estimated from **35.5**) has been treated as capital expenditure and not, as in the Dutch national accounts, as current expenditure. The increase in compulsory and voluntary insurance funds together (for which no break-down is available) has been allocated to public saving, and represents the following percentages of total net saving: 1950, 24; 1951, 24; 1952, 25; 1953, 24; 1954, 26.

Norway : 1938 and 1948-50: **35.3**. 1950-54: total net saving is derived from Tables 22 and 38 and information on public saving has been supplied by the Norwegian Statistical Office.

Sweden : 1938 and 1948-50: **35.4**. 1950-54: total net saving is derived from Tables 22 and 40. The figures used for public saving are those submitted to the OEEC for its seventh annual report.

Turkey : Derived from Tables 22 and 41. It is probable that the figure for investment includes stock changes, with a consequent error in the figure for total saving.

United Kingdom : **27.11**. Public saving excludes, and company saving includes, additions to tax reserves. Provisions for interest and dividend reserves are treated as part of company saving. Total depreciation and its distribution was available from **27.7**, Part 2, 1955.

Yearly increase of savings accounts and of life insurance funds (Table 26)

Belgium : **3.16.**

Denmark : **6.1**, except for life insurance reserves, which are from **6.7**. The figure for the increase in savings accounts includes savings and time deposits in commercial banks and savings deposits in all savings banks. It is believed that the greater part of time and savings deposits in commercial banks may be allocated to persons.

France : **8.12**, 1955.

Western Germany : **10.4**, September 1955.

United Kingdom : Table 27 of **27.11**. The figures include the increase in funds of life insurance, superannuation schemes, etc., and the net increase in the amount outstanding of national savings.

Volume of output and supply of metal products (Table 27)

Metal products are in principle defined as groups 35 to 38 and 39-1, 2, and 3 of the ISIC. Since the data relate to the supply of goods to final consumers, and therefore exclude deliveries within the metal products sector as well as changes in stocks and work in progress, deliveries from home production are not identical with the output of the engineering industry as it would be measured by an index of production. The percentages are derived from values in national currencies at constant prices, as follows:

France : Table 34 of **8.10** *(i)* gave the allocation for 1952 to 1955 of the supply of metal products to final consumers at 1952 prices, from which stock changes were removed.

A further calculation was necessary to isolate passenger cars. **8.11** provided supplies to the home market from domestic production in 1952, to which the value of imported cars was added. Total supply in other years was obtained by extrapolation, using volume indices based on the number of vehicles. The total available supply of passenger cars thus obtained was then allocated equally between investment and consumer goods in accordance with the practice adopted in **8.11** and in **8.10** *(i)*.

United Kingdom : Table 27 of **27.12** gave the distribution of supplies of metal goods for 1950 to 1954 at 1953 factory prices. " Other industrial goods, repair work, etc." (i.e., deliveries within the metal goods sector) and changes in stocks and work in progress were excluded. The supply of consumer goods to the home market in 1954 was, however, adjusted in the light of more recent data in **27.11**, resulting in a lower figure and in a corresponding increase in the item " Other industrial goods, repair work, etc."

Extrapolations for 1955 were made on the basis of volume indices for January-September 1955 compared with the corresponding period of 1954. Regular statistical series were usually available (e.g., of imports and exports, industrial production and the production of passenger cars); supplies of consumer goods were based on index numbers of retail sales.

Defence and investment was then left as a residual, which could not be further broken down.

Western Germany :

General

Consolidated data were not available as for France and the United Kingdom and the various items in the table had to be found from different series in various sources, thus increasing the risk of statistical error.

Values were established for 1952, and other years obtained by extrapolation, using volume indices. Estimates were made in this way for production, imports, investment, passenger cars for home market and exports; consumer goods for home market are thus a residual, and owing to the method adopted this residual also includes changes in traders' stocks.

" Investitionsgüterindustrien " has been taken as covering all metal products.

Deliveries from home production

Turnover in 1952 taken from **10.16** was adjusted and extrapolated for other years in the same way as for Table 2 and Chart 2.

Imports

The value of imports in 1952 has been multiplied by the volume indices of imports in **10.9**. The allocation of imports between consumption and investment has been estimated on the basis of trade data in current prices.

Investment

Data at current prices have been taken from **10.10**, fourth quarter 1955 (p. 350) and deflated to 1952 prices by means of the price indices for " Investitionsgüter " given in **10.2**. These data, however, do not include metal products that are delivered to the building industry for the construction of dwellings: (e.g., fittings and sanitary installations, etc.). An adjustment was made as follows: 16 per cent of the value of a new dwelling is accounted for by the cost of sanitary, heating and electrical installations, according to a preliminary study made by the ECE Housing Committee, and this percentage, applied to the value of new dwellings erected each year (given in **10.18**, January 1955), yields an estimated value of deliveries to the building industry that have to be added to the data obtained from **10.10**.

Passenger cars for home market

The 1952 value of production was taken from **10.17** and other years extrapolated on the basis of the number of cars produced. Imports and exports have been taken from foreign trade statistics, as for total imports. Available supplies were then allocated between consumption and investment on the basis of a study in **10.1**, 11 November 1955, relating to the composition of the turnover of the automobile industry.

Exports

1952 value of export turnover taken from **10.16** was extrapolated for other years on the basis of volume indices of exports in **10.9**.

Consumer goods for home market

This item is a residual and, in particular, includes for that reason all changes in traders' stocks.

The rather high percentage of the supply of metal products devoted to consumers may in part be explained by the possibility that it also includes some items of defence (occupation) expenditure, which in any event has so far made a much smaller call on metal supplies than is the case for the United Kingdom and France.

IV. CENTRAL GOVERNMENT BUDGETS
(Tables 43 and 44)

Current revenue and expenditure of central governments in relation to gross national product (Tables 43 and 44)

General

So far as original data permitted, the tables show (except for France and Norway) conventional budget figures, adjusted to conform to the following definitions of current revenue and expenditure:

Revenue :

Includes — Taxes on income and property, indirect taxes, death duties, revenue from public undertakings.

Excludes — Once-for-all capital levies, sales of surplus stores, and receipts of foreign aid.

Expenditure :

Includes — Current purchases of goods and services, all budgetary defence expenditure (including civil defence), current transfers to persons (including grants to social security funds) and to local authorities, current grants to colonies, expenditure on repairs and maintenance.

Excludes — Investment expenditure, transfers to the private sector and to local authorities for investment purposes, war damage payments, loans, amortization of debts, and expenditure out of counterpart funds.

In view of the approximate nature of the adjustments that could be made, the resulting current surpluses or deficits cannot be expected to give exactly the same results as are given by national accounts data. Consequently, they do not necessarily correspond to the figures implied for net public saving in Table 25, which are derived from national accounts and which, moreover, also include the saving of local authorities and compulsory insurance funds.

Comparability between countries is affected by differences in accounting methods. Thus, in some countries budget figures represent in principle actual or estimated cash receipts and disbursements, while in others they represent rather the claims and commitments which have arisen in the course of the financial year.

Figures for the earlier years shown are in general taken from closed or final accounts, while those relating to recent years are provisional or else relate to draft or voted budgets.

Sources

The following sources, in addition to regular budgets and central government accounts, have been used:

Austria: **2.11**, 1953 and 1954.

Belgium: 1950-53: **3.15**; 1954: **3.5**, April 1955. Public debt redemption has been taken from **3.7**, May 1955 (p. 201).

Denmark: All data are from **6.10**, except those for the last three years shown, which have been supplied by the Danish Statistical Department.

Finland: All data have been taken from **7.9**, Sept.-Oct. 1952, August 1953 and 1954, and October 1955. Defence expenditure includes outlays on equipment but not on buildings.

France: Defence expenditure in 1949 and 1951 is taken from **8.16**, p. 130 and in 1952-54 from **8.15**, No. 78, June 1955, p. 272. 1950 has been estimated by interpolation. Expenditure in 1955 is taken from a speech by the Minister of Finance, reported in **8.17** of 29 January 1956. All other data are from **8.10 (i)**.

Western Germany: Data are mainly from **10.4**, May 1952 and October 1955. Central government capital expenditure, which is included in these figures, has been deducted with the aid of information in **10.2**, December 1953, September 1954, and April 1955.

Italy: All data have been taken from **14.12**, 1954 and **14.14**, 1954.

Netherlands: The current revenue and expenditure from central government accounts is given in terms of the classification used for the Dutch national accounts.

Norway: All information has been supplied by the Statistical Office of Norway and conforms to the definitions of the OEEC standardized system of national accounts.

Sweden: **23.10**. The current surplus includes taxes set aside for subsequent transfer to local authorities, amounting in 1951/52 to 0.50, 1952/53 to 0.25 and 1953/54 to 0.45 billion kroner. The 1954/55 defence expenditure has been taken from central government accounts.

Switzerland: Only the “ Compte financier ” is relevant. Current expenditure includes civil expenditure for the acquisition of land and the construction of buildings (about 25 million francs a year) and subsidies for road construction and maintenance.

United Kingdom: The figures are based on the conventional form of accounts, excluding sinking fund expenditure but including “ below the line ” interest expenditure and receipts.

V. FINANCIAL OBSTACLES TO INDUSTRIAL INVESTMENT IN WESTERN EUROPE

(Tables 45, 46, 52 and 54 and Chart 7)

Capital account of enterprises or companies (Tables 45 and 46)

France (Table 45)

In 1952, besides an increase of 298 billion francs in the physical value of stocks, there was a stock appreciation of 190 billion francs. Only the appreciation of stocks held by companies enters the undistributed net profits and hence should appear on the allocation side as well, whereas the appreciation of stocks held by individual entrepreneurs should be considered as a capital gain and hence be omitted on both sides. The exact allocation of the total stock appreciation between companies and private enterprises being unknown, an estimate had to be made. The figure of 94 billion francs for companies was considered reasonable and *inter alia* eliminates the need for an adjustment which would otherwise have had to be made on the resources side.

United Kingdom (Table 46)

The figures presented in **27.12** (Table 21) for undistributed profits after tax are shown, unlike those for companies' saving presented in **27.11** (Table 45), before deduction of additions to tax and dividend reserves. These additions in 1951 amounted to the exceptionally high figure of £405 million, and this accounts for the magnitude of the decline in undistributed profits between 1951 and 1952. The additions to tax and dividend reserves are included in " Funds available for other purposes " (see **27.14**, p. 154, and F. W. Paish, " Company profits and their distribution since the war ", **27.5**, June 1955, pp. 15-17).

New issues of shares by enterprises (Table 52)

Apart from western Germany and Italy, where the sources used are the same as for Tables 54 and 55, the following have been used:

Belgium : Unpublished report on Belgium by R. Alloo for the EPA project. The figure for 1954 is provisional and has been compiled by the Institut national de Statistique.

France : 1953 and 1954 are derived from Table 53. For 1955 a figure of 7 billion francs was assumed as a reasonable deduction for financial shares.

Netherlands : **16.13**.

United Kingdom : **27.6**, February 1955.

Sales of securities (Table 54)

Amounts of bonds taken up under the Investment Assistance Scheme have been made as follows (millions of DM):

	Communal bonds	*Bonds of special credit institutions*	*Industrial bonds*	*Public loans*
1953 (2nd half)	37.6	13.1	98.1	51.0
1954	3.7	—	385.1	—

Security yields and share prices (Chart 7)

Basic monthly date for government bond yields and share prices have been taken mainly from **33.1**, supplemented for more recent data by the national sources mentioned below, which, unless otherwise indicated, were also used for the average yield on industrial bonds and on ordinary shares.

Austria : **2.3**.

Belgium : Government bond yield (4 per cent Unified Debt bonds) and industrial share prices: **3.5**. Industrial bond yield (an average yield on thirteen long-term industrial bonds) and industrial share yield: **3.2**.

Denmark : Industrial share prices: **6.1**. The government bond yield is that on the 3½ per cent perpetual government bonds.

France : **8.2** for all series. Government bond yield: 5 per cent perpetual government bonds. Industrial bond yield: average yield on twenty-two fixed-interest securities issued by the private sector. Industrial share yield: average yield on 295 ordinary shares. Industrial share prices: an index based on 295 ordinary price quotations.

Western Germany : Average yield on ordinary shares: **10.7 (iii)**. Index numbers of ordinary share prices: **10.4**. The yield on 5 per cent mortgage bonds was communicated directly by the Federal Statistical Office.

Italy : **14.8** for all series. Government bond yield: 5 per cent government reconstruction bonds, maturing in 1978. Industrial bond yield: fourteen private industrial bonds.

Netherlands : **16.7** for government bond yields (3¼ per cent bonds maturing in 1998), industrial bond yields (3½ per cent bonds) and prices of ordinary shares. **16.1** for the average yield on ordinary shares.

Norway : Industrial share prices: **17.1**. The government bond yield, taken from **33.1**, is the average weighted yield on various 2½ per cent government bonds and government-guaranteed bonds.

Sweden : Government bond yield (3 per cent long-term bonds issued in 1934) and industrial bond yield: **23.4**. Yield on ordinary shares: **23.2**. Industrial share prices: **23.1**.

Switzerland : Government bond yield: average weighted yields to maturity on twelve government and Federal Railway bonds.

United Kingdom : **27.2**. Government bond yield: 2½ per cent Consols.

VI. LABOUR MARKET PROBLEMS IN WESTERN EUROPE

(Tables 56-58, 60, 64, 66, 72, 73 and XXIV and Charts 9 and 10)

Employment in industry and unemployment in non-agricultural activities (Table 56)

Employment and unemployment

The yearly increases (generally obtained from index numbers) in industrial employment (i.e. mining, manufacturing and public utilities) and the numbers of unemployed have usually been taken from the same sources, and separate mention is made only where this is not the case.

Austria : Employment—**2.2**; unemployment—**2.4**; *Belgium :* **3.5** and incomplete data received in advance from the Institut National de Statistique; *Denmark :* employment—**6.1** (the data refer to man-hours worked); unemployment—**6.7**; *Finland :* **7.4**; *France :* employment—**8.6**; unemployment—**8.7**; *Western Germany :* **10.8**; *Italy :* **14.6**; *Netherlands :* employment—**16.5**; unemployment—**16.6**; *Norway :* **17.3**; *Sweden :* employment—**23.9**; unemployment—**23.7**; *Switzerland :* **24.1**; *United Kingdom :* **27.2**.

Labour force

The numbers of wage and salary earners (incl. unemployed) have been taken from the same sources as those for Table 72. For Italy and Switzerland, which do not appear in that table, the sources used were respectively **14.7**, May 1955 (labour force in 1954), and **34.2** (labour force in 1950).

For Belgium, Western Germany, Norway and the United Kingdom, the numbers of wage and salary earners (incl. unemployed) were available for each year shown in the table.

Estimates of future population (Tables 57 and XXIV)

The sources used for the tables usually contained estimates of future population made in accordance with three alternative assumptions concerning trends of mortality and fertility, embodying the " optimistic ", the " pessimistic " and the " most probable " outlook. Where these three sets of projections were available the " most probable " projection has been selected, but when, as in the case of Belgium, western Germany and the Netherlands, the estimates related to only two assumptions, the " most probable " outlook has been derived as an arithmetic average of the resulting figures. Apart from western Germany, migration has been ignored.

The data for 1951, on which the official estimates are based, are obtained on the basis of the latest pre-1951 population census, after taking account of the annual changes in the size and structure of the population due to births and deaths in the intervening period.

The sources used are shown below, together with an indication of the fertility and mortality trends postulated in the " most probable " or (for Belgium, western Germany and the Netherlands) the " pessimistic " and " optimistic " forecasts ($A =$ optimistic assumption; $B =$ pessimistic assumption):

Austria : Information supplied by the Austrian Statistical Office. *Mortality :* declining gradually by 18 per cent during the period up to 1970. *Fertility :* constant at the 1951-52 level.

Belgium : Information supplied by the Centre national de Calcul mécanique. *Mortality : A*—declining according to the exponential function derived from the 1880-90 to 1950-53 trend. *B*—constant, as in the 1950-53 mortality tables. *Fertility : A*—age specific rates constant at the 1950-53 level. *B*—age specific rates declining by 5 per cent over the period 1950-53 to 1971.

Denmark : Information supplied by the Statistical Department. *Mortality :* constant at the 1948-52 level for future births and at the 1946-50 level for the present population. *Fertility :* constant at the 1948-52 level.

Finland : Information supplied by the Central Statistical Office. *Mortality :* constant at the 1951-53 level. *Fertility :* age specific rates constant at the 1951-54 level.

France : L. Henry et R. Pressat. " Evolution de la population de la France jusqu'en 1970 ", **8.5**, January-March 1955. Population data for 1951 have been taken from **8.8**. *Mortality :* infant mortality declining to 18 per thousand by 1970, continuation of the declining trend for ages 1-45, and constant rates above 45. *Fertility :* decline in the average family size from 2.3 to 2.2 until 1964, and constant thereafter.

Western Germany : **10.12**.

Mortality : A—considerable decline (about 20 per cent) up to the age of 50 for men and 80 for women and constant after these ages. *B*—slight decline in infant mortality, constant for the middle age groups, and slight increase above 50. *Fertility : A*—increase in legitimate birth rates by 10 per cent in ten years and some decline in illegitimate birth rates. *B*—decline over 15 years in legitimate birth rates from the 1950-53 level. *Migration :* an estimate of actual migration up to the end of 1955 has been made on the basis of official statistics and allowance made for this movement in adjusting the published series, which do not take account of actual migration.

Italy : Prof. B. Barberi, " The Italian National Income ", **14.4**, July 1954. The assumptions concerning mortality and fertility are not made explicit.

Netherlands : **16.12.**

Mortality : A—declining according to the exponential function derived from the 1900-1909 to 1946-49 trend. *B*—constant at the level of the 1947-49 mortality table. *Fertility : A*—constant age specific marital fertility rates at the 1952 level. *B*—yearly decline in the age specific marital fertility rates at the same rate as in the period 1910 to 1937.

Norway : Information supplied by the Central Statistical Office. *Mortality :* constant at the level of the 1946-50 life table. *Fertility :* age specific birth rates constant at the level of the average for the periods 1929-32 and 1949-52.

Spain : J. Bourgeois-Pichat, " Perspectives sur les populations ", **8.5**, January-March 1953. *Mortality :* constant age specific rates at the 1950 level. *Fertility :* decline in age specific fertility rates, leading to a gross reproduction rate of unity in 1980.

Sweden : **23.3**, No. 1, 1955.

Mortality : considerable decline below the age of 50, a smaller decline for the 50-55 and 55-60 age-groups, and constant rates above 60. *Fertility :* constant at the 1951 level.

Switzerland : **24.1**, December 1954.

Mortality : the probability of dying to decline at all ages over the period 1951-1970, at the same rate as the decline observed from 1931 to 1950. *Fertility :* constant age specific fertility rates corresponding to the average for the period 1931-1950.

United Kingdom : Information supplied by the General Register Office. *Mortality :* considerable decline in age specific rates, leading to about 33 per cent reduction in the younger age-groups by 1956-60 and about 50 per cent by 1976-80. *Fertility :* decline in the effective reproduction rate from 1.02 in 1951 to 0.99 in 1961 and 0.98 in 1971.

Activity rates for men and women (Tables 58, 60 and 64)

All information has been taken from population censuses or national yearbooks with the following exceptions:

Denmark : Activity rates of married women: **6.1**, No. 13, 1953.

Finland : **7.8.**

France : 1954 data have been calculated from estimates given by V. Porte, " Généralités sur la population active française " in **36.3.**

Western Germany : Activity rates for women: **10.13.**

Italy : Activity rates for women in 1936 are taken from **14.10**, *Vol. 4*, *Part 5*, and all other data from **34.2.** For 1954 it has been assumed that the increase from 1951 to 1954 in the female population aged 14 to 64 was of the same order as the increase in the total female population during this period.

Norway : 1950 data are from **17.3**, May 1955, and activity rates for women in 1930 from S. Arctander, " Kvinnen i erhvervslivet ", **17.1**, December 1952. It has been assumed that the activity rate in the age group 60-64 was 12 per cent higher than in the group 60-69, which was the case in Sweden in 1930.

Sweden : Activity rates for women have been calculated from estimates given in **23.14.** The rates shown are somewhat too low, since, in order to ensure comparability between the two periods, they exclude single women reported as family workers.

Switzerland : 1950 from **24.5.** For 1941 it has been assumed that activity rates for all married women above 64 were the same as for Swiss married women.

Various indicators of the economic activity of women (Table 64)

Section III of the table (activity rates) has been dealt with above.

" Paid domestic service " has been defined so as to include only women engaged in paid work in private households, whether living in or out. Wherever possible, therefore, domestic service in agricultural households has been included under agriculture, and cleaning help in offices, in hospitals, etc. under " other services ". Sufficient detail, however, was not always available and the coverage of domestic service is probably not identical in all countries.

Unless otherwise indicated, all information in Section IV has been taken from **32.4** and **32.5** and data in Sections I and II have been taken from or based on information given in the same sources as have been used for Tables 58 and 60, with the following exceptions and adjustments:

Denmark : Laundry and cleaning industry (" soigneringsindustri ") has been excluded from industry and included under " other services ".

France : **8.5**, July-September 1955, p. 41, gives the industrial distribution of the occupied population in 1954 and comparable estimates for 1946. Adjustments similar to those there made for 1946 have been made to the data for 1931, given in the 1946 population census (**8.9**).

Forestry is throughout included under industry. To obtain the 1931 percentage of married women to total women in age group 40 to 64 it has been assumed that the difference between the proportions in age group 60 to 64 and 65 to 69 was of the same order as in 1936.

Western Germany : Domestic service in 1939 is taken from **10.13**. All data for Section IV are from **10.14**.

Ireland : The figures for trade have been adjusted on the basis of appendix Table A of **13.3**. " Public houses " and " grocery and public house combined " were taken out of trade in 1951 and included under " other services ". The 1936 figure for women engaged in trade has been increased by 1.4 per cent, since a similar adjustment was made in **13.3** in order to make the data comparable with 1936. Domestic service in 1951 includes " jobbing gardening ", which in the 1936 census was part of agriculture.

Italy : Information is taken from **34.2**, except for domestic services in 1936, which is from **14.10**.

Netherlands (1950): Estimated on the basis of information given by J. A. Links and C. P. van Rijn " Enige aspecten van de ontwikkeling van de Nederlandse beroepsbevolking ", **16.2**, 30 March 1955, and P. S. Pels, " Vrouwenarbeid in Nederland ", **16.2**, 11 May 1955. It has been assumed that some 300,000 women were active in forestry and fishing and that 17 per cent of active women were engaged in paid domestic work. Men in industry and trade have been taken from **16.14 (ii)**.

Norway : Data on domestic service are from **17.4** and in 1950 include domestic servants with small farmers that were formerly included under agriculture.

Retail trade establishments and their personnel (Table 66)

The data refer to establishments—i.e., to individual places of business.

Food retail trade includes butchers, bakers and tobacconists. In some cases newsagents are also included.

Non-food retail trade includes petrol stations and car dealers (so far as possible other than those specializing in repairs).

Belgium : **3.10 (i)** and **3.10 (ii)**. In order to avoid duplication, meat and bakery retailers without employees and running their business as an accessory profession have been excluded.

Denmark : **6.3**.

Finland : **7.7**. Only butchers and bakers counted in industry that have a total personnel of less than 20 have been included. General retailers with total personnel of less than 11 have been included under food retail trade.

France : Data have been supplied by the Institut national de la Statistique et des Etudes économiques based on its annual register of traders. The break-down of itinerant traders into food and non-food was estimated on the basis of the distribution given in **8.4**, February 1955. Butchers and bakers counted in industry, for which data are given in **8.1**, 30 April 1955, have been added.

Western Germany : **10.11**. The total of co-operative societies and general stores has been allocated to food.

Italy : **14.15**.

Netherlands : **16.11**.

Norway : Preliminary results of the 1953 census of distribution, published in **17.2** of 3 October 1955.

Sweden : **23.13**. General village shops and ships' chandlers have been included in food retail trade. Bicycle and car retailers include repair shops and petrol stations include servicing.

United Kingdom : **27.13**. Figures refer to Great Britain only. The motor vehicles, bicycles and accessories group, which includes a certain amount of repair work, has been included, as also have filling stations (without repairs). The rest of the garage group has been excluded.

United States : **30.4**. " Eating and drinking places " have been excluded.

Seasonal unemployment (Table 72 and Chart 10)

The seasonal indices shown in Chart 10 have been obtained by applying twelve-month moving averages to monthly data on the number of unemployed for the period January 1951 to May 1955. These moving averages have then been centred to obtain an average relating to a specific month. The ratios for each month of the original data to the centred moving averages have been averaged, ignoring, however, abnormal ratios which appeared to distort unduly the " average " seasonal pattern.

The average ratios for each month thus obtained have then been adjusted in order to sum to twelve, the resultant ratios, expressed in percentages, being taken as seasonal index numbers.

The data on unemployment have been taken from the regular specialized periodic national sources of labour statistics, though the following may be specifically noted:

Austria : **2.4**; *Denmark :* **6.2**; *France :* **8.7.**

In some instances, the distinction between skilled and unskilled labour was not always made for the building and construction trades, and a rough distinction had to be made, wherever possible, on the basis of occupation. The distinction is necessarily of a rather arbitrary character.

In Table 72 *the average monthly unemployment* for the period 1951 to 1954 in each activity has been expressed as a percentage of the wage and salary earners (plus unemployed), and the average seasonal low of unemployment has been similarly expressed by multiplying the lowest coefficient used for Chart 10 by this percentage.

The number of man-years lost owing to seasonal unemployment has been obtained by applying in turn this difference to the number of wage and salary earners (including unemployed). The total man-years lost for all activities is the sum of those lost for the individual ones.

The sources used for the number of wage and salary earners (plus unemployed) in the three sectors, together with the year of reference, are given below:

Austria : **2.5**, Volume 13, (1951); *Belgium :* **3.6** (1953); *Denmark :* **34.2** (1950); *Finland :* **7.5** (1950); *France :* **8.1**, 28 May 1955 (1954); *Western Germany :* **10.8** (1953); *Netherlands :* **16.10** and **16.16** (estimates for 1950 partially based on 1947); *Norway :* **17.3** (1953); *Sweden :* **23.12** (1950); *United Kingdom :* **27.3** (1953).

Unemployment in selected regions of western European countries (Table 73)

Population data relate to the year 1954, except for Denmark (1950) and Belgium (1951).

Belgium : **3.6**. The figures for unemployment are related to the labour force in June 1950 and June 1954.

Denmark : **6.1.**

Western Germany : **10.8.**

Netherlands : The male labour force has been estimated on the basis of information given in **16.5** relating to labour reserves by province and expressed both in absolute terms and as a proportion of the male labour force.

Norway : **17.3.**

United Kingdom : **27.3.** The figures for unemployment have been related to the labour force in May 1951 and May 1954.

Number of persons reaching the age of 15 in each year from 1940 to 1970 (Chart 9)

Wherever possible, use has been made of the official population projections. This was the case for the following countries:

Denmark : **6.4.**

Finland : Information supplied by the Central Statistical Office.

France : **8.5** (except for 1940 to 1947, for which see below), and especially the issue of January-March 1955.

Western Germany : **10.12.**

Sweden : **23.15** (except for 1940 to 1948 and 1965 to 1970, for which see below).

For the remaining countries, the projections have been derived from information published in **32.4** and **32.5** and national statistical yearbooks and bulletins. The probability of survival from the age of one year to fifteen years has been applied to the number of births in any one year (e.g., 1925 to give results for 1940) less the average number of deaths of children under one year of age in that year and the successive year (in the same example, 1925 and 1926). These probabilities have been derived from life tables published for each country, and the probability of survival applied was that referring to the middle year of the fifteen year span, obtained by interpolation and extrapolation of available national data. In all cases a 99 per cent probability of survival has been considered the upper limit, which has been repeated for each year following that in which it was obtained. Results obtained by this method compare reasonably well with the limited published data that are available.

For France prior to 1948 and for Sweden prior to 1949 and from 1965 onwards, no published data were available and the above method has also been adopted.

The absolute figures of 15-year-old persons thus obtained have been expressed as percentages of the estimated population of working age (15 to 64 years) in 1956, shown in Table XXIV.

VII. CURRENT DEVELOPMENTS AND PROSPECTS IN THE SOVIET UNION AND EASTERN EUROPE

(Tables 86, XXVI, XXX, XXXVII and text tables on pp. 180 and 188)

Distribution of the trade turnover of countries in the eastern world markets (Table 86 and text table on p. 180)

These tables correspond to and are a continuation of Table 64 of the SURVEY for 1954 and are based entirely on information derived from the eastern world market countries, except in the case of their trade with western Europe. A detailed description of the methods of estimate adopted is given on p. 292 of that SURVEY. Since the tables aim at showing no more than orders of magnitude, all figures have been rounded to the nearest $10 million.

In certain instances, information on the trade turnover between one particular country and another could not be obtained from either side. In such cases, rough estimates have been made and these are indicated in the table by parentheses. Some of the estimates for 1952 and 1953 have been revised in the light of more recent information, but only in the case of eastern Germany is the revision of major importance.

Trade with overseas countries is obtained as a difference between trade with all countries in the western group and trade with western Europe (according to western sources). If trade with overseas countries were derived not as a residual, but, as in Table 87, from the trade statistics of those countries, the resulting figures would differ from those shown in the tables, particularly in the case of eastern Germany. A possible explanation in this particular case is that many overseas countries do not distinguish separately the two parts of Germany. A further—and more general—reason for the discrepancy is that re-exports from western Europe of goods from overseas are included neither in the trade figures of western European countries nor in the statistics of overseas countries.[5] Moreover, where trade with individual countries is small it is not always shown separately in the trade statistics of overseas countries. If, on the other hand, such trade increases in importance, individual eastern European countries may be subsequently specified, and so the actual increase in trade with eastern Europe will be exaggerated.

The following notes relate mainly to figures for 1954 and revisions for earlier years:

For three countries the value of total trade turnover in 1954 was available: the Soviet Union (**26.2**, 22 July 1955), Poland (communicated to the secretariat)—in both cases expressed in roubles—and eastern Germany (**9.3**, 13 October 1955)—in marks. (Trade with western Germany according to west German sources has been added.) For Czechoslovakia and Rumania, the value has been obtained by applying official index numbers of total trade turnover (see below) to the value of trade in 1948 (1947 for Rumania). For Bulgaria, official index numbers have been applied to the estimates of trade turnover in 1948, obtained as explained in the SURVEY for 1954.

The distribution of the total trade turnover between the eastern and western world markets and/or the share of each country in intra-east-European trade and trade with the Soviet Union is based on official percentages, obtained as follows:

Bulgaria: **5.9**, No. 7-8, 1955 (total turnover and the distribution within eastern Europe).

Czechoslovakia: **5.5**, October and December 1955 and January 1956 (total turnover) and **26.24**, No. 2, 1955 (p. 8) for turnover within eastern Europe.

Eastern Germany: Total trade turnover for 1954 is based on a figure (excluding trade with western Germany) published in **9.3**, 13 October 1955, to which has been added trade with western Germany, according to western German statistics. To this total of $2,634 million were applied indices for total trade turnover (including trade with western Germany) for 1952 and 1953 in relation to 1954, published in **9.8**, October 1955. This source also gave a percentage distribution of the turnover between the two world markets, as well as between the Soviet Union and individual eastern European countries.

Hungary: **12.1**, 15 October 1955 (trade with the western world market). (No total turnover figure has been published, but it is known that total trade fell between 1953 and 1954.)

Poland: **18.3**, No. 18, 1953, and No. 20, 1954 (total turnover) and No. 9, 1955 (trade with the western world market and within eastern Europe).

Rumania: The plan fulfilment report in **20.1**, 10 February 1956, stated that total turnover in 1955 was 12 per cent greater than in 1954. Further, according to **20.1**, 23 August 1955, total turnover in 1955 was 90 per cent greater than in 1950 (for which year the value is known); hence the value in 1954. Similarly, the same source indicated that the 1955 turnover with capitalist countries was 150 per cent greater than in 1950 and **20.1**, 19 August 1955, gave trade with those countries in 1954 in relation to 1950, from which the value was obtained in the same way. In both cases, therefore, the trade with the eastern world market in 1954 is a residual.

Soviet Union: **26.2**, 26 July 1955 (total and distribution between the two world markets).

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[5] Some western European countries (in particular the United Kingdom) do record re-exports, but these have not been included in the figures for trade with western Europe.

The text table on p. 180 is derived from Table 86, except for 1955, for which the sources were :

Czechoslovakia : **5.9**, No. 12, 1955, stated that total trade turnover in January to November 1955 was 13 per cent higher than in the corresponding months of 1954.

Eastern Germany : According to information supplied to the secretariat, total turnover (excluding trade with western Germany) increased 9.5 per cent between 1954 and 1955. If trade with western Germany is included, the increase is about 12 per cent. Trade with capitalist countries in January to September 1955 was 19 per cent higher than in the corresponding period of 1954, and with western Germany 22 per cent higher (plan fulfilment reports).

Poland : Total trade turnover increased by 4 per cent in 1955 and with the western world market by 30 per cent (**18.1**, 1 February 1956 and **18.4**, No. 1, 1956).

Rumania : Derived from the information used for determining 1954 turnover (see above).

Electricity supply in the Soviet Union (text table on p. 188)

1937: **26.38**, p. 202; 1950: **26.31**, No. 8, 1955, p. 29; and **26.25**, No. 12, 1953; 1954: information submitted by the Soviet Government to ECE and to ECAFE, supplemented by **26.14**, No. 1, 1955; 1955 : the production of the Ministry has been estimated from the increase in capacity (directly communicated to the secretariat) and the over-fulfilment of the plan (Moscow radio, 24 December 1955).

The total for 1955 and the plan figures for 1960 are from **26.2**, 15 January 1956.

Expansion of producer-goods output in the Soviet Fifth and Sixth Five-year Plans (Table XXVI)

Output increases during the Fifth Five-year Plan are taken, unless otherwise stated, from Table XXX, or are cumulated from the annual plan fulfilment reports. Plan outputs are from **26.2**, 12 October 1952.

Planned increases during the Sixth Five-year Plan are from **26.2**, 15 January 1956.

Engineering products : 1955 output compared with 1950 for products other than those appearing in Table XXX was given in **26.31**, No. 7, 1955, pp. 5 and 6 and **26.23**, No. 1, 1955, p. 1.

Building materials : Supplementary data on actual increases between 1950 and 1955 are from **26.6**, 23 September 1955. The planned increase 1950-1955 for walling materials was taken from **26.20**, No. 11, 1952.

Soviet industrial production in the Fifth and Sixth Five-year Plans (Table XXX)

For data already given in Table 17 of the SURVEY SINCE THE WAR and in Table LIV of the SURVEY for 1954, see pp. 333 and 279 respectively of those Surveys. For other items, except as noted below, the 1955 actual and the 1960 planned outputs were given in **26.2**, 15 January 1956. 1955 actual outputs as a percentage of 1954 were published in the plan fulfilment report (**26.1**, 31 January 1956). 1950 and 1955 outputs were given in **26.2**, 15 February 1956.

Gas : 1955 planned and estimated actual output from **26.9**, No. 5, 1955, p. 58. **26.2**, 8 July 1955, gave the planned increases for 1955-1960, broken down by manufactured (coal/shale) and natural gas and stated that the former is to be 10 per cent of combined output by 1960.

Peat : The 1955 annual plan of the Ministry of Electric Power (the largest producer) was 2.5 million tons above the 1954 plan (**26.13**, No. 1, 1955, p. 1), and was over-fulfilled by 7.5 per cent, or 1.6 million tons (Moscow radio, 24 December 1955).

Atomic power : N. A. Nikolaev, director of the atomic power station (Moscow radio, 6 November 1955) stated that output in the seventeen months since operations started in June 1954 was 20 million kWh. 1954 and 1955 output has been assumed to be at a constant monthly rate. 1960 output assumes continuous operation of the minimum capacity to be installed that year.

Aggregate energy in coal equivalent : The 1955 computation is confirmed by an index of fuel output given in **26.31**, No. 1, 1956, p. 16, which showed 1955 output as 2.3 times 1940.

Steel rails : Directly communicated.

Engineering gross volume : 1955 output was 2.2 times 1950 and 1960 was to be approximately 80 per cent over 1955 (**26.2**, 15 January 1956). The 1955 annual plan was 16 per cent over 1954 (**26.9**, No. 2, 1955, p. 54). Since this is also the relationship between the 1954 plan and 1955 actual it would appear that the 1954 plan (given in Table LIV of the SURVEY for 1954) was attained.

Oil refinery equipment and turbines : 1955 output as a percentage of 1950 from **26.31**, No. 7, 1955, p. 7. The 1954-1955 change for large hydro-turbines (given in the 1955 plan fulfilment report) was assumed to apply to all hydro-turbines.

Generators : Separate series of index numbers for the period 1950 to 1955 are given for both types of generator in plan fulfilment reports for every year (except turbo-generators in 1954, for which a 20 per cent increase was assumed), and both show a 1954 output approximately 4.9 times that of 1950. The average of the increase shown to 1955 (5.5 times 1950 for hydro-generators and 5.9 times for turbo-generators) has been applied to the 1955 figure of the output of both types together, in order to obtain 1950 production.

Machine tools : 1955 over 1950 from **26.31** No. 7, 1955, p. 6.

Instruments and spare parts : The 1955 increase over 1950 is given in **26.31**, No. 7, 1955, p. 7.

Chemical equipment : 1950 to 1955 index numbers were given in annual plan fulfilment reports.

Electric locomotives : Index numbers for 1950 to 1955 were given in the annual plan fulfilment reports, except for 1952 (Moscow radio, 23 July 1953).

Motor vehicles : 1954 output was 10.2 per cent over 1950 (**26.23**, No. 1, 1955, p. 1) and 1955 was approximately 10 per cent over 1954 (the plan fulfilment report gives 9 per cent for lorries, 14 per cent for motor-cars and 4 per cent for buses).

Agricultural engineering : The 1955 annual plan was 20 per cent over 1954 (Moscow radio, 27 January 1955) and was fulfilled by 102 per cent (**26.1**, 31 January 1956). The index given in Table LIV of the SURVEY for 1954 was used to obtain 1950 output.

Tractors : 1950 and 1955 output was given in **26.2**, 15 February 1956.

Artificial fibres—synthetic polymers : As only the 1950 to 1952 plan increases are known (**26.1**, 5 February 1952), this estimate, extrapolated to 1955 at the 1952 planned rate of growth, is only rough; moreover, the quantity produced in 1950 was very small.

Sawn timber : 1940 and 1950 computed from Table 17 of the SURVEY SINCE THE WAR on the assumption that the trend of sawn timber was similar to that for marketable timber.

Furniture and ready-made clothing : 1950, 1954 and 1955 (plan) derived from mutual relationships shown with 1954 in Table LIV of the SURVEY for 1954. 1954 in 1955 prices was derived from the 1955 value (**26.1**, 15 January 1956) and the volume increase from 1954 to 1955 (**26.1**, 31 January 1956).

Matches : 1940: estimated by interpolation from **26.37**, p. 209; 1950: it was assumed that the fourth five-year plan target was reached; 1954: the increase over 1950 is from plan fulfilment reports (including estimated increases of 10 per cent for 1952 and 1953).

Building materials : The year's plan for gross output in 1955 was taken from **26.6**, 23 September 1955, and was fulfilled by 101 per cent.

Asbestos, kaolin, mica : Non-metallic building materials output was given for 1953 and 1957 plan (whence 1955 by interpolation) in **26.6**, 1 October 1954, and 1955 as a percentage of 1950 in **26.6**, 23 September 1955.

Pre-cast concrete sections : 1953 output was 59 per cent over 1952 (**26.20**, No. 1, 1954, p. 1). 1954 was 3 million cubic metres and almost 50 per cent above 1953 (**26.2**, 17 July 1955) and 1955 was expected to be 5 million cubic metres (Moscow radio, reporting a speech at the Conference on Concrete, 30 May 1955); an increase over the original plan for 1955 (3.5 million tons, according to **26.2**, 20 August 1954) and for 1956 to 9 million cubic metres was announced in **26.2**, 17 September 1955. The 1955 target was not fully reached, and a shortfall of 10 per cent has been assumed.

Knitwear : 1940: **26.2**, 13 October 1952 and 24 January 1954; 1954: **26.21**, No. 1, 1955.

Five-year plan fulfilment in Albania (Table XXXVII)

Data for 1938, 1950 and 1955 plans were given in the Law on the Five-year Plan (**1.2**, 3 June 1952). 1955 output was derived as follows:

(i) The report of M. Shehu to the Party Central Committee (broadcast by the Albanian Telegraph Agency on 30 December 1955) gave industrial output in 1955, increases over 1954 for oil, chrome ore and copper (1954 increases over 1953 were communicated by the Albanian Government to the secretariat and 1953 outputs were given in the SURVEY for 1954, Table LV), and data on transport.

(ii) F. Pacrami, **36.1**, 13 January 1956, gave index numbers (1938 = 100) for the output of industry (assumed to be state industry), manufactured consumer goods and foodstuffs.

(iii) In a speech at a Celebration of the Tenth Anniversary of the Founding of the People's Republic (broadcast by Tirana radio, 10 January 1956) M. Myftiu gave index numbers (1938 and 1950 = 100) for mining, metal-working and electricity production, for grain and sugar beet crops and for sown area.

(iv) In a speech at the Democratic Front Congress (broadcast by Tirana radio, 17 June 1955) E. Hoxha gave data for cotton textiles, footwear, macaroni products and soap.

(v) **1.1**, 10 January 1956, gave the increase over 1950 of the tractor park.

VIII. THE PLANNING AND FINANCE OF INVESTMENT IN THE SOVIET UNION

(Tables 97-99 and text table on p. 214)

Surplus of state enterprises in the Soviet Union (Table 97)

Profits and profit transfers : Various issues of **26.9** were used, as follows: 1948 actual and 1949 plan: No. 2, 1949, pp. 40-41; 1949 actual: No. 1, 1950, p. 36; 1950 plan: No. 4, 1950, p. 20; 1951 actual and 1952 plan: No. 2, 1952, pp. 20-21; 1952 actual: No. 3, 1953, p. 13; 1954 plan and 1953 actual: No. 3, 1954, pp. 21 and 22 respectively; 1954 actual and 1955 plan: No. 2, 1955, p. 42.

The revised 1948 total actual transfers, previously given in **26.9**, No. 2, 1949 as 26.5 billion roubles, are taken from **26.31,** No. 11, 1951. **26.27**, No. 1, 1953 (p. 32) gives actual total profits and total transfers for 1946 and 1947 and for 1950 and 1951, but the data for 1948 and 1949 appear to be plan figures.

Other sources used are **26.1**, 6 August 1953 (for 1952 and 1953 plan) and 27 December 1955 (for 1955 actual and 1956 plan). **26.35** gave total actual profits and transfers in 1949 and 1950 and the 1951 plan (pp. 67-68) and actual transfers of current profits in 1950 (p. 69), while the administrative break-down in 1950 comes from **26.36**, p. 2.

Turnover tax receipts : Annual budget reports and **26.9**, No. 2, 1955, p. 41 (for confirmation of actual receipts in 1946-1950 and 1954).

Gross investment and its finance in the Soviet Union in 1955 (Table 98)

Gross fixed capital formation

State enterprises and government departments : From the outlay in 1950 prices (167 billion roubles) has been deducted the difference between current and constant prices, described as " lowering building costs and other internal resources of building sites " (21.9 billion roubles) given in **26.9**, No. 2, 1955, p. 38. " Other internal resources " (i.e., sales of minerals excavated in the course of building operations) have been considered negligible.

Collective farms : Data are from **26.27**, No. 5, 1955, p. 17.

Consumer (retail) co-operatives : The outlay planned in 1954 was 1.8 billion roubles (**26.2**, 3 July 1954) and so was assumed to be about 2 billion roubles in the 1955 plan.

Industrial co-operatives : Outlay for increasing basic funds in 1949-53 was 2.3 per cent of turnover (**26.27**, No. 9, 1954, p. 43) and 1953 turnover was 47 billion roubles (**26.2**, 26 August 1954), so that outlay was approximately 1 billion roubles in 1953. The increase in basic funds between 1 October 1952 and 1 October 1954 was 2.56 billion roubles, according to **26.27**, No. 2, 1955 (p. 18), and the 1954 plan was double 1953 (*Tass Despatch*, 20 June 1954). It follows that 1953 was approximately 0.85 and 1954 1.7 billion roubles. The 1955 plan was therefore assumed to be 2 billion roubles.

Private house construction : The estimated volume of urban building is based on the 1951-54 share of private construction in total urban dwelling construction, given in **26.1**, 7 November 1954, and expected 1955 total urban construction (approximately 8.5 million square metres), and has been multiplied by the approximate cost of 500 roubles per square metre, representing the mean of the cheapest state block of flats and of a typical rural house.

Rural construction : 500,000 houses (**26.1**, 27 December 1955) valued at approximately 10,000 roubles each (the average cost of a house in Kazakhstan, according to **26.2**, 27 October 1954).

Stock increases and work in progress

These items are made up of the increase in allotted working capital (12 billion roubles, according to **26.9**, No. 2, 1955, p. 39) and of 5 billion roubles bank credit (since, in 1954, 41 per cent of working capital was covered by Gosbank credits, according to **26.28**, No. 2, 1955, p. 25, and the share of bank credit in new working capital would be higher than the average).

Provision for depreciation of fixed capital by autonomous state enterprises is given as 21.8 billion roubles (exclusive of that part of amortization charges financing capital repairs) in **26.9**, No. 2, 1955.

Retained profits

State enterprises: **26.9**, No. 2, 1955, p. 42.

Outlay from profits of co-operatives and private saving invested in house construction has been obtained by deducting from their total investment outlay bank credits made to these sectors.

Short-term credits to state enterprises

For these state bank credits see sources to text table on p. 214 (p. C-24 of this Appendix).

Loans and mortgages by industrial banks

Loans to building enterprises and to local authorities are made by Prombank and Tsekombank; to collective farms and farmers by Selkhozbank; and to industrial and retail co-operatives by Torgbank. Mortgage loans on private houses are made by Tsekombank (in urban areas) and by Selkhozbank (in rural areas).

Torgbank : The estimate is based on the 1954 plan (300 million roubles, according to **26.2**, 23 October 1953) for retail co-operatives and the statement that annual funds for long-term credit to industrial co-operatives amounted to " hundreds of millions of roubles " (**26.27**, No. 9, 1954), which is understood to imply less than a billion. Long-term credits outstanding and overdrafts for working capital granted to industrial co-operatives rose in the five years to 1954 from 5.5 to 9.3 billion roubles (**26.27**, No. 2, 1955), and so averaged just under 1 billion a year.

Tsekombank : The 1954 plan for house construction was one billion roubles, according to **26.34** (p. 335).

Selkhozbank : The financing of productive investment in agriculture is from **26.1**, 4 February 1955, and of house construction from **26.4**, 10 September 1955.

Thus, the non-agricultural credits by long-term investment banks sum to three billion roubles in 1955. **26.1**, 27 December 1955, gives a figure of 40 billion increase in credit in the five years 1951-55, of which 17 billion is known to be by Selkhozbank for agricultural credits, thus leaving an average of 4.6 billion for non-agricultural credits by the investment bank.

Prombank and loans to local authorities by Tsekombank : As the decree on expanding the output of consumer goods (**26.1**, 28 October 1953) provided in paragraph 56 for new loans of from one to six years from Prombank to local industry and in paragraph 57 for loans of from one to five years by Tsekombank for municipal services, and as Prombank short-term credit to building organizations would have increased both with the volume of building work (and of unfinished construction within the total) —cf. **26.9**, No. 1, 1955, pp. 15 and 19—the value of credit expansion for these objects is assumed to be rather more than double the 1.6 billion roubles shown as the difference between the over-all average of 4.6 billion and the three billion already accounted for.

Personal saving

The increase in savings bank deposits and in state loan subscriptions and service are taken from Table XXV.

Budget grants to state enterprises

Taken from **26.9**, No. 2, 1955.

Finance of state gross fixed capital formation in the Soviet Union (Table 99)

The full distributions planned are given in **26.9**, No. 3, 1954 (p. 18) for 1954, and No. 2, 1955 (p. 38) for 1955, and in **26.1**, 27 December 1955 for 1956. Budget grants and planned constant-price total expenditure for 1951 to 1953 are given in **26.31**, No. 6, 1954 (p. 10). The difference between total expenditure in 1951 in current prices and constant prices is to be found in **26.9**, No. 2, 1951 (p. 30) in money terms and in No. 4, 1951 (p. 89) in percentage terms. The combined effect of the 1952 price reductions and the fall in costs of industrial output was " over 8 per cent " (**26.1**, 23 January 1953). The combined effect of the price and cost cuts in building must have been somewhat less (since industrial costs have declined faster than construction costs in all the years of the Five-year Plan for which data are available) ; the planned cost and price reduction must have been higher than actual, since **26.1** of 23 January 1953 states that the plan was unfulfilled and **26.31**, No. 8, 1955 (p. 61), states that actual costs in building-installation work exceeded the plan by 2.7 per cent. An estimated cumulative fall (actual 1951 and plan 1952) of 12.2 per cent in all has been applied to the value in constant prices. The difference in 1953 between constant and current prices has been interpolated between 1952 and 1954. Amortization allowances in 1951 to 1953 have been computed on the basis of changes in the capital stock (end-year index numbers for 1950, 1952 and 1953 quoted in **26.29**, No. 3, 1954, p. 53, and **26.31**, No. 6, 1954, p. 11) and the known amortization charges for 1954. Retained profits are a residual, but their order of magnitude can be checked against the following table :

(Billions of roubles)

	1948	*1949*	*1951*	*1952*	*1953*	*1954*	*1955*
Retained profits :							
Working capital	4.7	3.9	5.9	6.1	10.8	10.8	7.5
Capital investment	11.4	15.4	(15.4)	(12.0)	(13.1)	12.5	11.9
Capital repairs	—	4.3	(4.0)	(2.1)	(1.5)	10.3	1.6
Other	4.1	6.3	(7.5)	8.3	(9.0)		10.0
Government dividend	22.0	32.2	(44.0)[a]	59.6	(77.0)[b]	89.8	112.3
Current profits	34.8	69.6	76.8	88.1	111.5	123.4	143.3

Sources : As for Table 97 and annual budget reports.

[a] Actual dividend was 44.3; total transfers of profits (i.e., including transfers of excess working capital) were 47.2 planned and 47.8 actual

[b] Planned total transfers were 80.6 and actual excess working capital transfers were 3.0.

Bank credit outstanding on 1 January in the Soviet Union (Text table on p. 214)

State bank credits : 1933 and 1938: **26.33**, p. 245; 1941: **26.40**, volume 4 (under " Banks "); 1954: **26.41**, p. 536.

1955 was 23 per cent above 1950, according to **26.9**, No. 2, 1955 (p. 33). 1956 credits were 33 billion roubles greater than 1951 and 1951 was three times 1941 (**26.27**, No. 1, 1953, p. 16). Consistent with these statements are the following estimates for years not appearing in the table : 1950—177 billion, and 1952—198 billion.

Investment bank credits : 1933-41 : The total of all bank credits (whence investment banks by difference) is given in **26.27**, No.1, 1953, p. 16. The increase from 1951 to 1956 was 40 billion roubles, or more than 50 per cent, according to **26.1**, 27 December 1955.

Albania

A. 1950 and 1955 plan from a speech by M. Shehu on 1 April 1952 (Tirana radio, 2 April 1952); 1951 estimated; 1952 (1953 increase over 1952) from speech by M. Shehu on 28 April 1954 (Tirana radio, 29 April 1954); 1953 and 1954 (increases over 1951) **36.1**, 26 November 1954.

B. *Total investment*

1951-54 cumulative value: see under F. Index numbers based on the preceding year have been taken from **1.3**, 19 February 1952 (for 1951), 10 February 1953 (for 1952), and 15 April 1955 (for plan 1955, which is assumed to have been fulfilled to the same degree as the half-year 1955 plan). 1953 over 1952 is from the plan fulfilment report. 1954: the plan was 11.5 times 1938 (**1.3**, 2 September 1954) and 1950 was five times 1938 (**4.3**, No. 4, 1955); the 1954 plan was 83 per cent fulfilled. 1949: 1950 was twice 1949 (Tirana radio, 29 January 1951).

Industry

1950-1953 index numbers are from **1.3**, 6 November 1953; 1954: estimated from national economy total expenditure less agricultural investment, as given in the budget report for 1954 (**1.2**, 14 April 1954). These indices were applied to the cumulative total 1951-54 explained in F. 1955 was estimated (see under F), but the figure agrees with the one quoted in the 1955 budget report for " economic construction ".

Agriculture

1954 over 1951: **1.3**, 2 September 1954. 1953 over 1952: communicated to the secretariat; 1954 over 1953: **1.4**, July 1954 (assuming the plan has been fulfilled). These indices were applied to the cumulative total for 1951-54 explained in F. 1955: the budget report showed an increase in appropriations of 0.1 billion lek over 1954.

Housing

1950, 1954 and 1955: Tirana radio, 17 June 1955; 1952 and 1953: plan fulfilment reports; 1951 plan was double 1950 (**1.3**, 13 June 1951).

E. 1951: **1.3**, 13 June 1951; 1952: **1.3**, 8 March 1952; 1954: **1.2**, 14 April 1954.

F. Plan figures are from **1.2**, 3 April 1952. Cumulative totals (including a sector break-down) for 1945-54 actual were given in **4.3**, No. 4, 1955 (p. 109), from which can be deducted 1946-50, given in **1.2**, 3 April 1952. (1954 investment may be ignored, since **20.3**, No. 11, 1951 (p. 119), gives 1950 investment as a proportion of 1946, implying a figure of only 0.16 billion lek for 1946.) It is further assumed that the data given in **4.3** are at 1950 and not at current prices.

1955 investment was to be 23 per cent above 1954 (**1.3**, 15 April 1955) and the first half-year plan was 90 per cent fulfilled. The same degree of fulfilment has been assumed for the whole year and the total distributed amongst branches in the proportions shown up to 1954. Housing, however, was available separately (from Tirana radio, 17 June 1955), **1.3**, 1 July 1955, and plan fulfilment reports.

Bulgaria

A. *1948 Prices*

1948: calculated from gross national product less depreciation. Gross national product was derived from state gross fixed investment (see D below) by a percentage relationship given in **4.3**, No. 11, 1953, p. 71. Provision for depreciation as a percentage of gross state fixed investment was given in **4.2**, No. 4, 1949, p. 66. 1952 compared with 1948 was given in the summary report on the achievements of the five-year plan, published in **4.1**, 30 April 1953, and 1953 compared with 1952 has been taken from the plan fulfilment report.

1939 Prices

1948 and 1952: **4.3**, No. 11, 1953, p. 19. 1949 and 1950 in relation to 1948 were given in **18.4**, No. 10, 1952 (p. 42) and 1951 in relation to 1950 in **26.45**, No. 2, 1953.

Net output by sectors in 1948 and 1952 (footnote b to Table 115) has been taken from **4.3**, No. 11, 1953, p. 21.

B. 1949-52: derived from current-price data (see D below). The implied index of investment prices for 1949 (1948 = 100) was obtained from data in constant prices in the plan fulfilment report for 1949 and corresponding data in current prices derived from **26.44**, p. 163, the 1949 budget report, and **4.2**, No. 4, 1949, p. 66. The indices for 1949-51 (1952 = 100) were derived from gross fixed investment in 1952 prices, supplied by the Government of Bulgaria (see Table 116), and data on current prices (see D below) after adjustment of the constant-price data to the same coverage. These indices were then linked to the index for 1949. The figures for 1953 and 1954 are derived from investment in current prices on the assumption of an unchanged price level between 1952 and 1954.

Net investment has been obtained by deducting the depreciation figures explained in E.

C. 1948-1952: derived from **4.3**, No. 11, 1953, p. 71, which gave state net fixed investment as a percentage of national income, and the values of state net fixed investment, as explained in D and E. 1953: gross national product was first obtained from the percentage relationship to state gross fixed investment given in **4.5**, after which depreciation (see E) was deducted.

1954: provisional estimate assuming that the plan for the year was fulfilled, the bad harvest in bread grains being compensated by a slight over-fulfilment of the plan for industry.

D. *State investment*

1948: **4.3**, No. 2, 1949, p. 163; 1949 and 1950: **4.2**, No. 10, 1952, p. 18; 1951 and 1952: **26.24**, No. 7, 1952, p. 2; 1953: **4.5**; 1954: **4.1**, 10 April 1954, and the plan fulfilment report.

Private investment

Estimates for 1949 to 1952 were made mainly on the basis of information supplied by the Government of Bulgaria on agricultural investment by co-operatives, with an allowance for private housing, included in the figures for total housing investment.

E. 1948: the share of depreciation in gross state fixed investment was obtained from data on gross and net fixed investment in the years 1947 and 1948 together, given in **4.4**, 18 January 1949, **4.3**, No. 2, 1949, p. 163, and **4.2**, No. 10, 1952, p. 18.

1948-53: planned depreciation as a percentage of planned state gross fixed investment in each of the years was given in **4.2**, No. 4, 1949, p. 66. In view of the close correspondence between planned and actual investment for the period as a whole, the use of the planned relationship can be justified.

F. The plan directives were given in **4.4**, 18 January 1949, and the fulfilment report (Table 113) in **4.1**, 30 April 1953. Actual state investment by sectors (Table 112) in 1949-52 was given in the summary report on the plan (**4.1**, 30 April 1953) and in 1953 in **4.1**, 9 and 10 September 1954. The distribution between heavy and light industry is based on information supplied by the Government of Bulgaria.

Czechoslovakia

A. *Total national income*

1948: **5.12**, p. 56; 1953 (1948=100): **5.6**, No. 12, 1954, p. 383.

1950-1952: estimated from 1953 by percentage changes given in the plan fulfilment reports; 1949: estimated from the percentage increase in 1950 given in **5.5**, 1 January 1952, p. 12 (in terms, however, of 1937 prices). Owing no doubt to the use of different base-year prices the change between 1948 and 1949 obtained as a residual is slightly lower than that indicated in the source last mentioned (11½ instead of 12½ per cent).

Net output by sectors

Agriculture and industry were derived from their shares in national income given in **5.13**, p. 91. Building and construction for 1948 and 1953 were similarly derived from **5.2**, 4 January 1955, and intervening years were obtained by interpolation of an index of gross output for the sector, given in **5.7**, No. 6, 1954, p. 211.

B. *Total investment*

The five-year totals and year to year changes in current prices (see under D) were recalculated at 1 January 1948 prices on the basis of partial information concerning gross fixed investment and construction work as follows:

An investment price index for 1950 of 141 was derived from a comparison of investments initially planned for 1949-1953 at 1 January 1948 prices (**5.12**, p. 57) with the same value expressed in 1950 prices in **5.10**, 28 February 1951. Similarly, indices of construction costs for 1949 and 1953 were obtained, the value of building work at 1 January 1948 prices for each of the years 1949 to 1953 being derived from **5.12** (p. 122) and **5.7**, No. 6, 1954 (p. 211). A 1949-1953 total at 1953 prices (in new currency units) was published in **5.6**, No. 10, 1954 (p. 380). 1949 in current prices was available in **5.1**, 25 February 1951. The index of construction costs thus obtained (1 January 1948=100) was 150 for 1949 and 170 for 1953. It was further assumed that the 1953 construction cost level also ruled in 1950-52. Assuming an estimated share of construction work in total investment in 1950 of 47 per cent, a price index for equipment (1 January 1948=100) of 116 is obtained for that year and was assumed to be valid for all years of the plan.

The construction cost index was then combined with the equipment price index with weights 56:44 in 1949 and 52:48 in 1951-1953.

Agriculture

See under E.

C. The total for 1950 was given in **5.1**, 27 February 1951 and for 1953 was calculated by applying to the figure in 1948 prices a price index derived from **5.7**, No. 7, 1955 (p. 269). (The five-year total of national income was 566 billion new Kčs at 1953 prices, or 2,830 billion old Kčs, and 1,415 billion old Kčs at 1 January 1948 prices.

The percentage share of accumulation in national income for 1948 and 1953 was given in **5.8**, No. 4, 1955 (p. 248) and for 1950 in **5.5**, 1 January 1952 (p. 13).

D. The total for 1949-1953 was given in **5.1**, 1 January 1954. 1949 and 1950 values were taken from **5.3**, 27 February 1953, and 1951 over 1950 from **5.4**, 4 January 1952. 1952 and 1953 together were thus a residual, which was distributed

B. *Total investment*

1949: Investment within the plan and outside it was given in **18.9**, pp. 44 and 47. A cumulative figure of 102.6 billion zloty for state investment in 1950-1953 was given in **18.4**, No. 7, 1954 (p. 5), and distributed by means of year-to-year percentage changes in plan fulfilment reports. 1954 over 1953 is from the plan fulfilment report, while for 1955 the plan given in **18.6**, No. 4, 1955 (p. 74), was assumed to have been fulfilled.

Investment by sectors

The 1949-1953 data have been derived by applying to total state investment the percentage distribution by sector in **18.4**, No. 7, 1954, p. 7. Percentage indices and changes by sectors for 1954 over 1953 were given in the plan fulfilment reports and for 1955 the planned investment by sectors was assumed to have been fulfilled.

F. The plan was published in **18.2**, No. 37, 1955, pp. 427-450.
1950-1955 actual (Table 112) is taken from Table 125.

Rumania

A. *1948 prices*

National income in 1948 was given in **20.2**, 5 February 1950, and the 1949 volume increase over 1948 in **20.3**, No. 12, 1955 (p. 20). The increase in 1950 over 1949 was derived from **20.1**, 24 and 28 December 1955. 1953 and 1955 in relation to 1948 were derived from index numbers given in **20.1**, 23 August 1954 and 24 and 28 December 1955, respectively. The figures shown for 1951 and 1952 are interpolations based upon fluctuations in industrial and agricultural output. 1954 has been derived from the 1955 plan fulfilment report, which gave the increase for 1955 over 1954.

Net output for all three sectors in 1952, 1953 and 1955 was obtained as follows: the percentage contribution of industry to national income in 1952 was given in **20.3**, No. 11, 1952, p. 29, and for 1953 the ratio of industrial net output to agricultural net output was published in **5.8**, No. 4, 1954. For 1951 and 1952 the share of " other branches of material production " was given as 15 per cent in **20.3**, No. 11, 1952 (p. 29), and the same percentage has been accepted for 1953, thus permitting the establishment of absolute values in both 1952 and 1953. For 1955 **20.1**, 24 December 1955, stated that slightly more than half of national income was generated in industry and that agriculture accounted for somewhat more than one-quarter of national income. This, together with an assumption concerning the share of the residual item, permitted the establishment of absolute values in 1955. Plan fulfilment reports for other years gave index numbers of gross industrial output, which, applied to the known value in 1950, enabled values to be estimated for other years. These gross values were then adjusted by application of a coefficient representing the ratio of net output to gross output in industry on the assumption that this relationship declined progressively from 60 per cent in 1948 to 51 per cent in 1955 (the pre-war ratio was 52 per cent). Net output of agriculture for other years (1949-1951 and 1954) has been estimated from changes in crop production.

1950 prices

1953 was derived from the ratio of national income to state gross fixed investment given in **20.1**, 13 September 1955, applied to the investment figure under B. The estimates for other years are based on the volume relationship behind the series in 1948 prices, and it is therefore assumed that valuation in 1950 instead of 1948 prices would not materially affect the year-to-year changes in national income.

B. *Total fixed investment*

1949 to 1953: derived from plan fulfilment reports. 1954 and 1955 together were obtained as a residual from the 1951-55 total (**20.1**, 24 December 1955) by deducting the estimates for 1951 to 1953. The change between 1954 and 1955 was given in the 1955 plan fulfilment report.

State agricultural investment

1951-55 cumulated was given in **20.1**, 24 December 1955, and 1950-52 cumulated in **20.1**, 23 August 1953. The total for these latter three years was approximately distributed, while 1953 and 1954 were published in **20.1**, 23 August 1954, and the plan fulfilment report for 1954 respectively, leaving 1955 as a residual.

F. 1951 to 1955 plan was published in **20.5**, 16 December 1950, and the 1956 to 1960 Plan in **20.1**, 24 December 1955.

The indices of planned change in national income and net agricultural output (Table 113) were adjusted so as to conform to actual results in 1950, instead of to plans for that year.

The planned five-year totals for investment by industrial branches shown in Table 127 were slightly adjusted in some cases in order to exclude planned social and cultural investments by industrial enterprises.

The 1951-1955 totals of actual investment by sectors and by branches of industry (including Table 127) were taken from **20.1**, 24 December 1955.

Soviet Union (Table 128)

B. *Total gross fixed investment*

Planned expenditure 1950-55 is from the annual budget reports and actual expenditures in prices of 1 July 1950 have been obtained by applying the annual index numbers quoted in the plan fulfilment reports to the final 1950 investment value of 110 billion roubles. This figure is derived from the plan value in 1 January 1950 prices of 135.6 billion roubles (given in the 1950 budget report), after excluding the cost of planning and drafting work (not included in capital investment totals since 1951, when it represented a 3 per cent addition to the total) and deflating to the lower cost-schedules of 1 July 1950. (Compared with the planned reduction of 25 per cent in July 1950, ministries and departments lowered costs of capital construction on an average by 20 to 25 per cent, according to **26.9**, No. 4, 1951, p. 21.) The resultant series shows under-fulfilment of plan in each year (as indicated by the annual plan fulfilment reports). 1956 planned investment was given in 1 July 1955 prices in **26.1**, 27 December 1955. The cumulative total of investment in 1951-55 in 1955 prices came to 565 billion roubles (**26.2**, 15 January 1956), making 453 for the period 1951-54, since 1955 investment was 140 billion roubles. Taken in conjunction with the estimates already obtained in 1950 prices, this gives an implied price index for July 1955 (1950 = 100) of 80.

Investment by sectors

The following notes relate to sources used for information not contained in Table 36 of the SURVEY for 1954 (for the sources of which see p. 291 of that Survey) :

The sector distribution of actual investment in 1953 and planned investment in 1954 was given in **26.2**, 22 to 27 April 1954. A list of those ministries failing to fulfil the 1954 investment plan was given in the plan fulfilment report for that year, which also stated that the Ministry of Power Stations fulfilled its plan. The plan for electric power was consequently assumed to have been exactly fulfilled, and similarly for coal, which was not included in the list of under-fulfilling ministries. The plan for state agricultural investment in 1954 was 21 billion roubles, according to the 1954 budget report. The investment plan of the Ministry of Agriculture was only two-thirds completed by the end of October (**26.2**, 15 November 1954). The extent of under-fulfilment by the Ministry of Procurement is unknown. The 1954 plan for the Ministry of State Farms was 3 billion roubles (**26.2**, 7 February 1954) and actual investment was 5 billion roubles (derived from **26.9**, No. 2, 1955, p. 36). 1954 and 1955 agricultural investment together equalled 34.4 billion roubles (**26.2**, 15 February 1956). The 1955 plan for electric power was 1.5 billion roubles over 1954 (**26.9**, No. 2, 1955, p. 54): as the 1954 plan was fulfilled (**26.2**, 21 January 1955) the increase was applied to the 1954 plan figure. Actual investment in coal in 1953 is not available, but the increase in the first half of 1954 over the first half of 1953 (**26.1**, 23 July 1954) has been used to obtain an approximate figure. The 1955 plan for coal and oil investment together was 3 billion roubles over 1954, according to **26.31**, No. 8, 1955, p. 53; half of this has been assumed to be in coal. The 1955 plan in heavy industry and all industry is from the 1955 budget report.

For the other sectors the planned 1955 investment has been assumed to be proportionate to the planned change in expenditure in each sector under the classification " national economy " in the budget report. Each sector, as well as the total, was then multiplied by 1.08 in order to allow for the planned wholesale price reduction during the year (the figure given in the budget report for all state investment, allowing for the price change, was 167 billion roubles, but the 1955 fulfilment of 95 per cent, if applied to estimated actual expenditure of 173 billion roubles, gives 182 billion roubles—i.e., 108 per cent of the figure quoted in the budget report). Each sector plan was then adjusted to actual in conformity with the ministry fulfilments shown in the plan fulfilment report for 1955.

1953 (provisional) and 1954 (plan) light industry and food industry figures are from **26.2**, 28 and 30 October 1953, respectively. The under-fulfilment of the 1953 plan (9.6 and 15.3 per cent respectively) was given in **26.2**, 23 April 1954, and the combined total for 1953 actual was reported as 7.6 billion roubles in **26.2**, 22 April 1954. The break-down made of this total into light and food industries takes account of this degree of plan fulfilment in adjusting the 1953 provisional total. The finally approved 1954 plan (first approved in October 1953) may have been a little less than the 14.4 billion indicated, as **26.26**, No. 1, 1954, stated that it was to be 86 per cent over the 1953 actual. (The figures were given as 7.6 and 14 billion roubles for 1953 and 1954 plan respectively in **26.2**, 11 March 1954.) The sum of 1951 and 1952 investment in the food industry was equal to 1954 planned investment (**26.26**, No. 1, 1954) and its distribution between 1951 and 1952 has been approximately gauged from the increase in productivity, which was 6.5 per cent, according to **26.8**, No. 4, 1952. Light industry investment is obtained as a residual from the volume increase of light and food industry together given in the annual plan reports, for which, however, a 10 per cent increase had to be assumed in 1951.

Starting from 1953 values in 1950 prices, the index numbers of volume increase given in the annual plan reports have been used, wherever possible, to obtain the constant-price values for sectors other than industry in other years. In the absence of data for the whole year 1953, results for the first half-year have been used. The following other estimates were made: *Transport :* For 1953 the first half-year increase for railways only (13 per cent) and for 1952 an increase of 5 per cent; *Agriculture :* for 1952 and 1953, a 10 per cent fall and a 10 per cent rise respectively; *Trade :* for 1951 and 1952, 5 per cent increases in each year.

D. *Total fixed investment in current prices*

Actual expenditure is derived from the percentage excess of actual over planned costs in building-installation work in 1951-54, given in **26.31**, No. 8, 1955, p. 61, and planned expenditure from Table 99.

(iv) A significant part of the monthly trade data for Finland is not specified by countries. The geographical distribution given in the annual statistics has been assumed to apply to this unspecified portion.

(v) The value figures for all countries (including Austria) include imports under foreign aid programmes.

(vi) In the case of the Netherlands, the diamond trade, for which no break-down by countries is available, has been excluded for 1953 and 1954. As from January 1955, this trade is included in data by country of origin and destination in the national trade statistics, but is not separately distinguished.

(vii) The figures for Greece, Spain and Turkey for January-September 1955 are estimates based on monthly figures so far published.

(viii) Trade in industrial gold has been excluded as indicated below:

France: non-monetary gold (items 16-24 in the French nomenclature) is included in the French statistics, but has been excluded from Tables XXX and XXXI. The figures for gold shipments by main areas in the periods shown are as follows:

French imports and exports of non-monetary gold

Millions of current dollars

		January-September	
	1953	*1954*	*1955*
Total imports	177.1	124.4	38.4
of which:			
from Group I	22.5	30.1	26.9
II	37.4	38.5	4.1
VII	5.5	—	3.7
VIII	—	35.8	—
XI	4.4	3.8	3.1
XIII	94.1	8.1	—
XV	8.9	2.1	0.2
Total exports	181.1	119.6	39.7
of which:			
to Group I	3.9	—	—
II	163.0	108.1	32.4
XIV	3.3	1.4	1.8
XV	10.2	7.9	4.9

Finland: Similarly, Finland's imports of monetary gold from the Soviet Union, which are recorded only in September 1954 and amount to $5.0 million, have been excluded.

(c) *Conversion into United States dollars*

The trade conversion factors used are those given in **32.2**. In the case of Austria, western Germany and Greece (except for 1955) the dollar values were taken directly from the national trade statistics.

(d) *Grouping of countries*

The detailed classification of countries is essentially the same as that used in the SURVEY for 1954 (see pp. 296-7), with the following minor differences:

Group XIII: For 1955, French India is included in India and excluded from Group XIV.

Group XIV: National trade statistics now usually distinguish between the provinces of Cambodia, Laos and Vietnam in Indochina.

LIST OF SOURCES QUOTED IN APPENDIX C

ALBANIA

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1.2 *Bashkimi.* Daily.
1.3 Agence télégraphique albanaise, Paris: *Albanie.* Twice a week.
1.4 *L'Albanie nouvelle,* Tirana. Monthly.

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2.1 *Monatsberichte des Österreichischen Institutes für Wirtschaftsforschung.*
2.2 *Statistische Übersichten zu den Monatsberichten des Österreichischen Institutes für Wirtschaftsforschung.*
2.3 *Mitteilungen des Direktoriums der Österreichischen Nationalbank.* Monthly.
2.4 Österreichisches Statistisches Zentralamt: *Statistische Nachrichten.* Monthly.
2.5 Österreichisches Statistisches Zentralamt: *Ergebnisse der Volkszählung vom 1. Juni 1951,* 1953.
2.6 Österreichisches Institut für Wirtschaftsforschung: *Der Teilzahlungskredit in Österreich,* October 1954. [Beilage Nr. 28 of *2.1.*]
2.7 F. Nemschak (for Österreichisches Institut für Wirtschaftsforschung): *Zehn Jahre österreichische Wirtschaft 1945-1955,* 1955.
2.8 Österreichisches Statistisches Zentralamt and Österreichisches Institut für Wirtschaftsforschung: *Österreichs Volkseinkommen im Jahre 1953,* 1955.
2.9 Österreichisches Statistisches Zentralamt and Österreichisches Institut für Wirtschaftsforschung: *Beitrag zur Berechnung des österreichischen Volkseinkommen in den Jahren 1950 und 1951,* 1952.
2.10 Bundesministerium für Verkehr und verstaatlichte Betriebe: *Monatsstatistik.*
2.11 *Jahrbuch der Arbeiterkammer für Wien.*

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3.1 *Agence économique et financière.* Daily.
3.2 *Bulletin hebdomadaire de la Kreditbank.*
3.3 Institut de recherches économiques et sociales de l'Université de Louvain: *Service mensuel de conjoncture : Statistiques.*
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3.6 Ministère du Travail: *Revue du travail.* Monthly.
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14.4 Banco di Roma: *Review of the Economic Conditions in Italy.* Every two months.
14.5 Association of Italian Joint-stock Companies: *Italian Economic Survey.* Every two months.
14.6 *Rassegna di Statistiche del Lavoro.* Every two months.
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14.8 Banca d'Italia: *Bollettino.* Six times a year.
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14.18 Ministero dei Lavori Pubblici : *Bollettino della produzione mensile di energia elettrica in Italia.* Every two months.

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16.3 *Maandschrift van het Centraal Bureau voor de Statistiek.*
16.4 *Statistisch Bulletin van het Centraal Bureau voor de Statistiek.* Frequent but irregular.
16.5 Centraal Bureau voor de Statistiek: *Maandstatistiek van de nijverheid.*
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SAAR

21.1 Statistisches Amt des Saarlandes: *Kurzbericht.* Frequent, but irregular.
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SPAIN

22.1 Instituto nacional de Estadística: *Boletín de estadística.* Monthly.
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SWEDEN

23.1 *Affärsvärlden.* Weekly.
23.2 Svenska Handelsbanken: *Index.* Monthly.
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23.6 Kungl. Socialstyrelsen: *Sociala Meddelanden.* Monthly.
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23.10 Konjunkturinstitutet: *Konjunkturläget våren 1955* (Serie A: 27 of Meddelanden från Konjunkturinstitutet), 1955.
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UNITED KINGDOM

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27.2 Central Statistical Office: *Monthly Digest of Statistics.*
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INTERNATIONAL MONETARY FUND, WASHINGTON

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ORGANIZATION FOR EUROPEAN ECONOMIC CO-OPERATION, PARIS

35.1 *OEEC Statistical Bulletins—General Statistics.* Every two months.
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Printed in Switzerland, Feb. 1956-5500
Reprinted in U.S.A., 3335-Feb.1956-2200

Price: $(U.S.) 2.50; 18/- stg.; Swiss francs 10.50
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